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Office of The Ombudsman, Hong Kong



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Direct Investigation Report

[illegible] CSI [illegible]

Arrangements for Production, Distribution, Stocktaking and Use of CSI Masks

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Executive Summary
Direct Investigation Report

Arrangements for Production, Distribution, Stocktaking and Use of CSI Masks

Introduction

The Correctional Services Department ("CSD") manufactures filter masks ("CSI masks"), which are mainly supplied to the Government Logistics Department ("GLD"), and then distributed by GLD for use by various policy bureaux and departments ("B/Ds" or "user B/Ds"). In January 2020, Hong Kong reported its first confirmed case of coronavirus disease 2019 ("COVID-19"). Following the development of COVID-19, there was a spike in public demand for filter masks, resulting in an acute shortage of supply. Meanwhile, the media and members of the public reported that CSI masks were on sale in the market, and this Office also received public complaints about alleged misuse of CSI masks.

2. Against this background, we launched a direct investigation against CSD and GLD to examine their mechanisms, procedures and implementation with respect to the production, distribution and stocktaking of CSI masks, so as to identify any inadequacies and make improvement recommendations to the authorities where necessary. We also obtained information from five user B/Ds (namely the Food and Environmental Hygiene Department, the Customs and Excise Department, the Census and Statistics Department, the Registration and Electoral Office, and the Electrical and Mechanical Services Department). We hope to learn more about how CSI masks were handled by user B/Ds in general through examining the information provided by the above seven departments.

3. Besides, in response to the COVID-19 outbreak, the Customs and Excise Department ("C&ED") has launched a large-scale operation codenamed "Guardian" since 27 January 2020 to carry

out spot checks of common protective items across the territory. We also obtained from C&ED the data related to CSI masks under "Operation Guardian".

4. Based on the investigation findings, our comments are as follows.

Our Comments

Overall Arrangements from Production to Delivery of CSI Masks were Duly Followed - CSD

5. The Industries and Vocational Training Section of CSD's Headquarters ("HQ I&VT Section") uses the computerised Manufacturing Management and Control System ("MMCS") to monitor the entire production process from procurement of raw materials to delivery of a wide range of finished products (including CSI masks). In particular, it reviews and controls the completion of purchase orders, consumption of raw materials, delivery of goods, etc. via MMCS. All data concerning the supply of raw materials from suppliers and the retrieval of those materials from industrial warehouses, as well as the quantity of masks produced and delivered are inputted into MMCS.

6. For CSI masks, CSD places purchase orders periodically with its raw material suppliers, requiring them to deliver the raw materials to specified locations. Upon receiving the raw materials, the institutions will store them in their industrial warehouses which are secured by locks. After receiving a client order, HQ I&VT Section will issue job orders via MMCS to the institution workshops for commencing production of masks according to the quantity specified in the order, including retrieving sufficient raw materials from the industrial warehouses. To access the warehouses, staff are required to collect and return the keys according to established procedures.

7. Finished masks awaiting delivery are temporarily stored in

the industrial warehouses mentioned above. Similarly, to access the warehouses to retrieve the masks, staff are required to collect and return the keys according to established procedures. Before delivery of masks to a client, the institution officer responsible for internal logistics is required to present to the gate supervisor a barrier permit issued by a chief officer, industries manager/coordinator or their authorised representatives. After verifying the masks to be taken outside the institution, the gate supervisor will sign on the barrier permit. The masks will then be passed to a transportation contractor for delivery to the client. Such measures are to safeguard that the masks taken outside the institution are not more than the permitted quantity. CSD also requires the contractor to return the delivery note signed and confirmed by the client upon completion of delivery before settlement of transportation fees, thereby ensuring that the delivery is properly carried out.

8. Where substandard masks are produced during the mask-making process, the inmates and staff concerned will follow the established procedures to cut up and discard those masks, so as to ensure that they cannot be used.

9. Regarding the stocktaking of masks, CSD will verify the stores of all products (including CSI masks) every half year. The stores records are compared with the MMCS records for examining any loss of finished or semi-finished masks, or any discrepancies between the two records. CSD will also review whether the actual consumption of raw materials according to the stores records has deviated from the estimated quantity. In the stocktaking exercises between 2015/16 and 2019/20, CSD did not find any loss of raw materials of masks, semi-finished masks and/or finished masks, or any discrepancies between the relevant records.

10. After reviewing CSD's entire process from procurement of raw materials, mask production to delivery, we consider its mechanism largely sound and adequate. CSD has also drawn up proper protective measures to guard against misappropriation of

masks, covering the four critical procedures for storage, delivery, stocktaking of finished masks, and disposal of substandard masks. After examining the data and records of CSD, we have not found any signs of non-compliance with those measures on the part of CSD.

No Loopholes Found in the Overall Arrangements from Procurement to Distribution of CSI Masks - GLD

11. GLD uses the computerised Unallocated-Store ("U-Store") Program to process orders from B/Ds, such as recording the incoming and outgoing quantities of various stores, the estimated demand for stores from B/Ds, and the delivery of stores.

12. As regards masks (including CSI masks), GLD will request, before the start of each financial year, all B/Ds to submit their estimated demand for different types of masks in the upcoming financial year. After reviewing the estimated demand from all B/Ds, GLD will arrange for subsequent procurement of stores, taking into account the quantity of masks held in stock and the estimated aggregate demand from all B/Ds. GLD will require suppliers to deliver masks in a timely manner, and keep in its unallocated store with security measures the masks procured but not yet delivered to B/Ds. To access the unallocated store, relevant staff are required to register before collecting and returning the keys. Pursuant to the Stores and Procurement Regulations ("SPR"), GLD will also conduct surprise inspection on the security measures of the unallocated store.

13. After the start of each financial year, B/Ds may request GLD to distribute the masks by issuing e-orders via the U-Store Program. Any B/Ds in need of more masks than the approved quantity after the start of financial year should first submit justifications to GLD for consideration of their request in light of all factors. Upon approval by GLD, the B/Ds concerned will issue e-orders to GLD via the U-Store Program.

14. Upon receiving an e-order from B/D, GLD will decide on

which batch of U-Store items is to be distributed based on the "first-in first-out" principle and the suggested shelf life of masks. It will then arrange for delivery of masks to the requisitioning B/D by its own fleet or transportation contractor. In either case, GLD will require the return of delivery note signed and confirmed by the requisitioning B/D to ensure that the delivery is properly completed.

15. As for the stocktaking of masks, GLD keeps complete records of the receipt and despatch of all stores (including CSI masks), and regularly inspects its unallocated store pursuant to the SPR. According to its records between 2013 and 2019, no discrepancies were found between the physical and ledger balances of CSI masks.

16. After reviewing GLD's entire process from procurement to delivery of masks (including CSI masks) to B/Ds, we consider its overall mechanism satisfactory. To guard against misappropriation of masks during the process, GLD has adopted proper measures for three critical procedures, namely storage, delivery and stocktaking of masks (including CSI masks). Moreover, after examining the data and records of GLD, we have not found any signs of non-compliance with the relevant procedures on the part of GLD.

Inconsistent Mechanisms for Distributing Masks by User B/Ds before Pandemic

17. After announcing the launch of this direct investigation, we received comments from the public criticising that the mechanisms for distributing masks by certain B/Ds before the pandemic were lax. It was even alleged that the staff of a B/D collected and provided the leftover masks to their relatives and friends after the pandemic outbreak.

18. According to information from the seven departments, before the pandemic, certain departments distributed the majority of masks to their staff, with a small quantity reserved for back-up purpose. Certain departments placed some masks in the workplace for staff use. One particular department only provided masks upon

request of staff. None of the departments would ask their staff to sign upon receipt of the masks. Upfront distribution of masks, in comparison to the other two practices, would involve lower administrative costs, but it might result in some staff members having received masks in excess of the quantity they actually need, thus increasing the risk of those masks being given or sold to others.

19. Admittedly, masks were not in shortage before the pandemic. As masks are non-inventory items of small value, B/Ds and their subordinate units are not required under the SPR to keep detailed records for distribution of such items, much in the same way as other consumables. We, therefore, consider it understandable for some B/Ds to opt for upfront distribution of masks to staff before the pandemic. In fact, since the pandemic outbreak, all the seven departments have adopted proper measures to check against misuse of masks, and strengthened their distribution arrangements. For instance, designated officers are responsible for distribution and custody of masks and keeping a record of distribution, or staff are required to sign upon receipt of masks. Moreover, between late February and early May 2020, the departments inspected their stock of masks weekly and submitted the data to the Financial Services and the Treasury Bureau ("FSTB") at its request. The actions taken were appropriate.

20. In any event, it was revealed in a case involving a contravention of the Trade Descriptions Ordinance ("TDO") convicted by the Eastern Magistracy on 23 September 2020 that CSI masks were on sale in the market. In the long run, to minimise the risk of personal protective equipment ("PPE"), including CSI masks, being misused or even resold for profit, we recommend that GLD draw up guidelines for B/Ds on distribution and management of PPE (including CSI masks), as well as monitoring the quantity used, in normal and contingency circumstances.

Lax Procedures for Disposing of Expired Masks by a User B/D

21. According to information from C&ED, when investigating a

case involving a contravention of the TDO earlier, C&ED not only seized CSI masks on sale from the pharmacy proprietor concerned, but also found two green packaging boxes of CSI masks in the former design, printed with the manufacture dates “09 OCT 2014” and “21 NOV 2014” respectively. The case revealed that the CSI masks on sale in the market were probably expired CSI masks, which should have been discarded.

22. As a possible source of expired CSI masks was those discarded by B/Ds, we examined the procedures of the seven departments for disposing of expired masks (including CSI masks). Among the seven departments, one of them would assign staff to cut and destroy expired masks and packaging boxes, which would then be discarded in fastened plastic garbage bags. Another department, when there was an acute shortage in the supply of masks at the onset of the pandemic, kept the expired masks in good condition as the last resort and afterwards distributed some of those masks to staff for contingency use. According to information found online and provided to this Office by a civil servant, some expired masks were allegedly distributed to staff by B/Ds. We believe that if the allegation is true, some B/Ds might have distributed the expired CSI masks from their reserves to staff when the supply was tight at the onset of the pandemic.

23. We note that it is stipulated in the Guidelines and Procedures for Stores Management of Government Stores issued by GLD that all B/Ds should handle expired stores pursuant to the SPR. However, no specific procedures for disposing of expired masks are provided in the SPR and thus different practices were adopted by different departments. We understand that the decision to keep and/or distribute expired masks was one made by the department after balancing the pros and cons. Nevertheless, we consider that the quality and filtration efficiency of masks might become lower after the expiry date. If the expired masks were distributed to staff for use, or, due to the lax procedures for handling expired masks, those masks were scavenged and used by outsiders, it would not only fail to protect the users’ health, but also pose a threat to public health. To prevent expired masks from being used by B/D staff or

others, and to effectively guard against circulation of those masks in the market, we recommend that GLD issue guidelines to B/Ds as soon as possible to strongly remind them to distribute masks based on the “first-in first-out” principle and their suggested shelf life, so as to avoid having unused masks beyond the expiry date. The guidelines should also stipulate a set of uniform and stringent procedures for disposing of expired masks to make sure that those masks cannot be used and sold in the market.

24. Moreover, we also recommend that GLD take this opportunity to draw up and issue to B/Ds guidelines on the disposal of expired PPE other than masks. This should ensure that expired PPE would not be distributed to staff, nor would it be scavenged and used, or even resold for profit, by outsiders after disposal. Given that expired PPE (including masks) cannot offer adequate protection, which is a potential risk to personal and public health and safety, we consider it imperative for the authorities to tackle the issue seriously.

No Evidence of CSI Masks Circulated in Market Extensively or Systematically

25. Our direct investigation stemmed from media and public reports that CSI masks were on sale in the market. Although no discoveries were made during our site visit of pharmacies in Sham Shui Po, we consider that a convicted case involving a contravention of the TDO has confirmed that CSI masks had been sold in a pharmacy. Nevertheless, according to data from C&ED, it conducted more than 38,000 inspections at retail spots between 27 January and 31 October 2020 under “Operation Guardian”. Yet, other than the case mentioned above, customs officers have not discovered any CSI masks and/or their packaging boxes on display for sale. We consider that the data of “Operation Guardian” reflects to a certain extent that CSI masks have not been circulated in the local market extensively or systematically. The masks seized by C&ED were probably expired CSI masks, which should have been discarded.

26. As regards why there was an isolated case of CSI masks on sale in the market, we are unable to establish the reason in the absence of specific and direct evidence. Nonetheless, our investigation revealed that the mechanisms for distributing masks by some departments before the pandemic were rather lax, and the procedures of a certain department for disposing of expired masks were not entirely stringent. This could increase the risk of misuse of CSI masks.

27. We must reiterate that pursuant to the SPR and the Civil Service Code, public officers are personally responsible for the safe custody of all stores received by them in the course of their duties, and shall use public resources only for the authorised purposes. Consequently, it is in breach of the SPR and the Civil Service Code to give or sell the masks to others. Additionally, anyone who sells such items may commit a criminal offence.

No Restrictions on Non-governmental Organisations ("NGOs") against Resale of CSI Masks Previously

28. We notice that NGOs in the past could purchase masks from CSD after providing certain basic information. CSD had not restricted how NGOs should use the masks, such as reselling or using them for private purposes. In fact, unless otherwise stipulated in the purchase agreement, NGOs were entitled to decide how to use the purchased CSI masks. However, after the outbreak of COVID-19, CSI masks manufactured with public resources have attracted considerable attention from the community.

29. We are pleased to learn that CSD has sought legal advice from the Department of Justice in mid-February 2020 and subsequently decided to impose restrictions on NGOs against resale, export or private usage of goods and/or services purchased from CSD. A specialised application form for placing job orders by NGOs was introduced in late April, stipulating the terms and conditions for NGOs when purchasing goods and/or services from CSD in future. On 27 November 2020, CSD informed this Office that it had decided not to consider resuming the sale of CSI masks

to NGOs in future. We consider CSD to have taken proper action in this connection to address the concern raised following the pandemic, which can reduce the potential risk of misuse of CSI masks and other goods/services.

Consideration to be Given to Setting Priorities for Accepting Purchase Orders of CSI Masks and Enhancing Transparency

30. CSD did not advertise and solicit purchase orders for its CSI masks. Apart from GLD, CSI masks were sold to those organisations approaching CSD to enquire and purchase the product after they had learned about its availability from various channels. Before the COVID-19 pandemic, CSD would decide whether to accept purchase orders from organisations other than GLD after considering any surplus production capacity of its workshop and the ability to meet the delivery deadline requested by the client. However, as CSI masks are priced significantly lower than other filter masks on sale in the market, CSD's current practice would only benefit those organisations in the know about the masks available from CSD, and would surely give an impression of inadequate transparency. When the subject of CSI masks was widely discussed in the community, public scepticism was fuelled by the lack of transparency about the sale of those masks. We agree that it is in public interest to suspend accepting purchase orders from organisations other than GLD until the COVID-19 pandemic is under control, such that CSD can concentrate resources on meeting the demand from B/Ds. Since CSD has acquired extra mask production machines to boost its mask production capacity in response to the pandemic, we reckon that CSD should review its policy of accepting purchase orders for masks in normal and contingency circumstances, after balancing such factors as optimisation of resources (i.e. mask production machines and relevant devices, equipment) and B/Ds' demand for masks. In particular, it should consider setting priorities for target clients, changing the method of accepting purchase orders from organisations other than GLD (i.e. the Hospital Authority or other public organisations) and establishing a mechanism for accepting those orders, as well as enhancing transparency of relevant

information.

List of Non-B/Ds Eligible for Distribution of Masks to be Reviewed

31. We note that in addition to B/Ds, six non-B/Ds, namely this Office, the Independent Commission Against Corruption, the Independent Police Complaints Council, the Judiciary, the Public Service Commission and the Legislative Council Secretariat, may also request distribution of masks from GLD. We accept that with adequate supply before the COVID-19 pandemic, it was unproblematic for GLD to distribute masks to non-B/Ds, such that those publicly funded organisations could purchase masks at lower costs. However, we note that other statutory bodies of similar nature are not on the name list. We suggest that GLD review the list of non-B/Ds eligible to request distribution of masks from GLD in normal circumstances.

Contingency Guidelines to be Drawn up Based on Experience of Coping with This Pandemic

32. During our direct investigation, we note that CSD has since January 2020 ceased accepting purchase orders for masks from organisations other than GLD, and continued to reserve a small quantity of masks for internal consumption, such that it can concentrate resources on meeting the demand for masks from B/Ds. At the same time, CSD has taken measures to raise the output of masks incrementally, with the monthly output gradually boosted from around 1.011 million in 2018/19 to 4.057 million in March 2020.

33. As regards GLD, it has since January 2020 adopted various means to approach manufacturers and suppliers for procurement (including direct procurement) of masks. Meanwhile, GLD conducted an open tender for procuring masks in late January 2020, thereby contacting more suppliers and diversifying the source of supply. Furthermore, in a bid to accurately assess B/Ds' demand for masks under the pandemic, FSTB requested in early February

2020 all B/Ds to review the quantity of surgical masks required monthly, such that GLD could arrange for the corresponding procurement as soon as possible and maintain adequate supply of masks for B/Ds.

34. We consider CSD and GLD to have diligently performed their duties and endeavoured to meet the surging demand for masks from B/Ds under the pandemic. To facilitate their timely response to similar or other contingency situations in future, we recommend that CSD, based on the experience gained this time, draw up contingency guidelines regarding the criteria and priorities for accepting the purchase orders of masks and/or other PPE, and the corresponding arrangement for increasing the output of masks and/or other PPE in epidemic and/or other contingency circumstances; GLD, also based on the experience gained this time, draw up pragmatic and proper contingency guidelines regarding the collection and assessment of B/Ds' demand for masks and/or other PPE, and the corresponding arrangement for procuring masks and/or other PPE in epidemic and/or other contingency circumstances.

Failing to Disclose More Information in Timely Manner to Address Market Rumours and Public Enquiries

35. At the onset of the COVID-19 pandemic, there was a desperate shortage of masks in the local market. Concurrently, a lot of media coverage, online information and rumours about suspected misuse of CSI masks were widely circulating. It not only caused public concerns and speculations about any misuse of CSI masks, but also prompted public requests for clarification from the Government on the production and sale of CSI masks. Nonetheless, the relevant B/Ds rejected their requests, contending that the disclosure of detailed information on PPE (including CSI masks), such as the stock, usage, quantities procured and moneys involved, would undermine the bargaining power of GLD and B/Ds in their procurement exercises, given the fierce competition for sourcing PPE at that time. Meanwhile, this Office received a number of complaints about access to information related to CSI masks under

the Code on Access to Information.

36. In our opinion, the outflow of CSI masks became a topic of wide community concern partly owing to the lack of information for the public to understand and grasp the production, distribution, stocktaking and management of CSI masks by relevant B/Ds. As the public tried to obtain more information but to avail, more speculations and conjectures were generated. We accept that relevant B/Ds were fully occupied in dealing with the heavy workloads brought by the pandemic at that time. It is also worth considering whether voluntary disclosure of such information would conversely impact on the fight against the coronavirus and the stakeholders. However, allowing public speculations and rumours to persist would only reinforce the impression of cover-ups on the part of the Government.

37. We are pleased to note that the Government eventually issued in August 2020 a report on PPE to release information on the Government's procurement, stock and distribution of PPE (including CSI masks). We also urge the B/Ds concerned to take reference from this experience and contemplate how to disclose relevant information in a timely and proper manner under similar situations in future, after fully considering such factors as public interest and minimising any impact on the functions of B/Ds. This would help allay public concern and maintain public confidence in the Government.

Our Recommendations

38. In light of the above, The Ombudsman makes the following recommendations to CSD and GLD:

CSD

(1) to review its policy of accepting purchase orders for CSI masks in normal and contingency circumstances, such as setting priorities for target clients, changing the method

of accepting purchase orders from organisations other than GLD and establishing a mechanism for accepting those orders, as well as enhancing transparency of relevant information;

(2) based on the experience of meeting surging demand for masks from B/Ds this time, to draw up contingency guidelines regarding the criteria and priorities for accepting the purchase orders of masks and/or other PPE, and the corresponding arrangement for increasing the output of masks and/or other PPE in future epidemic and/or other contingency circumstances;

GLD

(3) to draw up and issue to B/Ds guidelines on distribution and management of PPE (including CSI masks), as well as monitoring the quantity used, in normal and contingency circumstances;

(4) to issue guidelines on proper disposal of expired masks to B/Ds as soon as possible, stipulating a set of uniform and stringent procedures for B/Ds to follow and strongly reminding B/Ds to distribute masks based on the "first-in first-out" principle and their suggested shelf life;

(5) to draw up and issue to B/Ds guidelines on disposal of other expired PPE (such as N95 respirators);

(6) to review which non-B/Ds are eligible to request distribution of masks from GLD in normal circumstances; and

(7) based on the experience of meeting surging demand for masks from B/Ds this time, to draw up pragmatic and proper contingency guidelines regarding the collection and assessment of B/Ds' demand for masks and/or other PPE, and the corresponding arrangement for procuring

masks and/or other PPE in future epidemic and/or other contingency circumstances.

Office of The Ombudsman
December 2020

1

INTRODUCTION

BACKGROUND

1.1 The Correctional Services Department ("CSD") manufactures filter masks (commonly referred to as "CSI masks"), which are mainly supplied to the Government Logistics Department ("GLD"), and then distributed by GLD for use by various policy bureaux and departments[1] ("B/Ds" or "user B/Ds").

1.2 In January 2020, Hong Kong reported its first confirmed case of coronavirus disease 2019 ("COVID-19"). Following the development of COVID-19, there was a spike in public demand for filter masks, resulting in an acute shortage of supply. Meanwhile, the media and members of the public reported that CSI masks were on sale in the market, and this Office also received public complaints about alleged misuse of CSI masks.

1.3 Against this background, The Ombudsman decided to launch a direct investigation pursuant to section 7(1)(a)(ii) of The Ombudsman Ordinance against CSD and GLD, respectively responsible for manufacturing CSI masks and distributing them to B/Ds. We aimed at examining the two departments' mechanisms, procedures and implementation with respect to the production, distribution and stocktaking of CSI masks, so as to identify any inadequacies and make improvement recommendations to the authorities where necessary.

[1] In addition to B/Ds, this Office, the Independent Commission Against Corruption, the Independent Police Complaints Council, the Judiciary, the Public Service Commission and the Legislative Council Secretariat can also request distribution of masks from GLD.

1.4 As mentioned above, GLD is responsible for distributing CSI masks for use by various user B/Ds. To find out more about the use of CSI masks, this Office selected five user departments for enquiry. We hope to learn more about how CSI masks were managed and used by B/Ds in general through examining the information provided by the above seven departments.

SCOPE OF INVESTIGATION

1.5 The scope of this direct investigation covers:

- the arrangements of CSD for production, distribution and stocktaking of CSI masks;
- the arrangements of GLD for procurement, distribution and stocktaking of CSI masks; and
- the management and use of CSI masks by user B/Ds.

PROCESS OF INVESTIGATION

1.6 On 3 March 2020, we declared a direct investigation on this subject against CSD and GLD, followed by a press release on 5 March to inform the public of our decision and invite them to provide relevant information and views. As at 31 October 2020, we received 63 public submissions[2], including comments in support of or opposition to this direct investigation. Some serving and retired civil servants, ex-inmates and other members of the public also provided reference materials on this subject, such as relevant news coverage, texts and photographs circulating online, together with their own comments. Meanwhile, this Office received 14 complaints about alleged misuse of CSI masks, and 17 complaints about access to information related to CSI masks under the Code on Access to Information.

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[2] Including 62 written submissions and one verbal submission.

1.7 In this direct investigation, this Office has:

- examined the information and statistics provided by CSD, GLD and user B/Ds;

- held meetings with the senior and frontline management officers of CSD and GLD;

- visited the mask production workshop in CSD's Lo Wu Correctional Institution ("LWCI") to inspect its workflow and relevant records;

- reviewed the relevant information in GLD's computerised system;

- invited views from members of the public, examined the information provided by them and talked with some of the respondents in person or by telephone;

- scrutinised relevant news coverage, and texts, photographs and video footage circulating online; and

- visited the pharmacies in Sham Shui Po to probe whether CSI masks were on sale there.

1.8 On 10 November 2020, we issued a draft investigation report to CSD, GLD and user B/Ds for comments. This final report, upon considering and duly incorporating comments from relevant departments, was completed on 14 December 2020.

2

CSD's Arrangements for Production, Distribution and Stocktaking of CSI Masks

BACKGROUND

2.1 CSD's Industries and Vocational Training ("I&VT") Section is responsible for managing its industrial production, including CSI masks. Currently, CSI masks are manufactured by a total of five filter mask production workshops[3] ("the Workshops") located at LWCI, Tung Tau Correctional Institution ("TTCI") and Stanley Prison under CSD. Prior to mid-May 2020, CSD only produced masks in adult size (i.e. regular size). To meet the demand from B/Ds for child masks following the COVID-19 outbreak, CSD gradually started the production of child masks in mid-May 2020.

[3] In March 2004, CSD established the first Workshop at Chi Ma Wan Drug Addiction Treatment Centre (subsequently renamed as Chi Sun Correctional Institution). In 2008, another Workshop was set up at Lai Chi Kok Correctional Institution. In 2010, the mask production lines at Chi Sun and Lai Chi Kok Correctional Institutions were relocated to LWCI. In 2020, to cope with the COVID-19 outbreak, CSD established more Workshops at LWCI, TTCI and Stanley Prison, which commenced operation in March, April and May 2020 respectively. Currently, there are three Workshops at LWCI and one at each of the other two institutions.

2.2 Regarding the level of protection of CSI masks, CSD engages an external laboratory every year to test whether the masks comply with the specifications of the American Society for Testing and Materials ("ASTM"). The latest test in May 2020 confirmed that the masks meet the ASTM F2100-19 Level 1 standard of protection[4].

2.3 Each CSI mask is marked with the letters "CSI" (see **Figure 1**), with a suggested shelf life of five years. The green packaging box (see **Figure 2**) used by CSD in the past had been gradually replaced by a new design in white (see **Figure 3**) since June 2017. The two designs differ in that the manufacture date and suggested shelf life are specified on the new packaging box, while the old one only shows the manufacture date without the suggested shelf life.

Figure 1: CSI mask

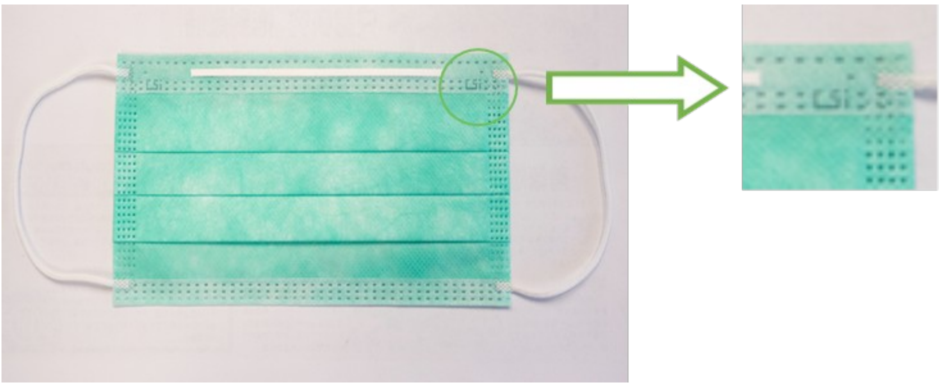


Figure 2: Old packaging box in green

[4] Masks in compliance with the ASTM F2100-19 Level 1 standard of protection should have bacterial and particulate filtration efficiency rates at or above 95%.

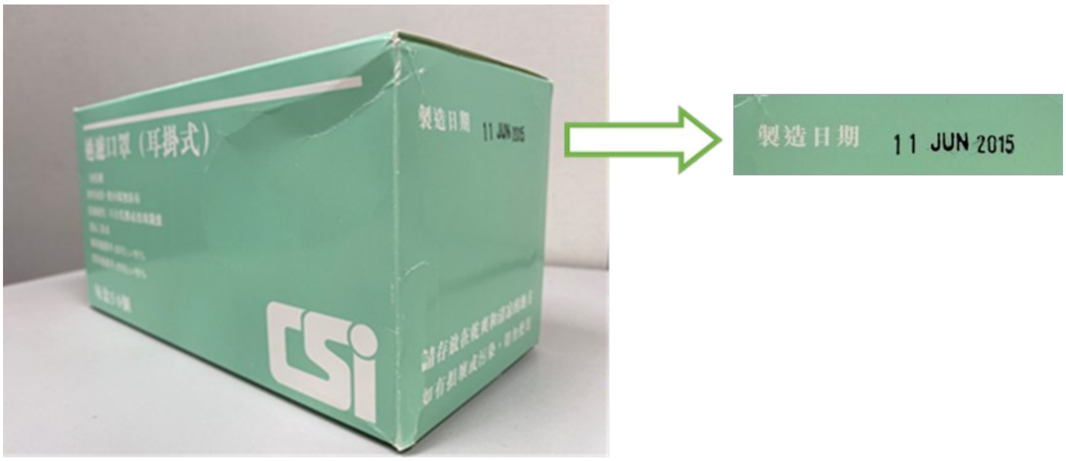

製造日期 11 JUN 2015

Figure 3: New packaging box in white



PRODUCTION AND DISTRIBUTION OF CSI MASKS

2.4 CSD indicated that it has not advertised and promoted its products (including CSI masks) and services. Apart from B/Ds, if any organisation approaches CSD to enquire the availability of a particular product or service, CSD will review the organisation's background and evaluate whether to accept its purchase order according to established procedures (see **para. 2.23**).

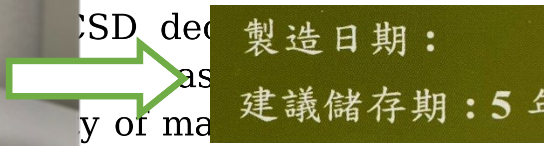
Adult Masks

2.5 CSI adult masks are mainly sold to GLD. Before the pandemic, CSD also reserved a small quantity of masks for internal consumption (see **paras. 2.25 and 2.27**), and for sale to the Social Medical Services Unit of Queen Elizabeth Hospital, Fanling Integrated Family Service Centre, Tai Po and North District Social Welfare Office, and Sheung Shui Social Security Field Unit under the Social Welfare Department (collectively referred to as "SWD Agencies"); the Hong Kong East Cluster and New Territories West Cluster under the Hospital Authority (collectively referred to as "HA Clusters"); as well as some non-governmental organisations ("NGOs"). Between 2017 and 2019, CSD sold CSI adult masks to 24 NGOs, including 10 schools and 14 social welfare organisations.

2.6 In January 2020, upon learning from media reports about

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LWCI Workshops to 24 hours, engaging serving and retired CSD personnel to volunteer for production work, purchasing extra machines and raw materials for production, and setting up new Workshops at LWCI, TTCI and Stanley Prison, thereby meeting the demand for masks from B/Ds as far as possible. CSD's monthly output of adult masks in January, February and March 2020 was 1.479 million, 2.133 million and 4.057 million pieces respectively. Subsequently, in late February 2020, the Financial Services and the Treasury Bureau ("FSTB") instructed all B/Ds (including CSD) to submit their monthly demand for masks, and assigned GLD to coordinate and distribute masks to B/Ds. Since late February 2020, CSD has switched to requesting distribution of masks from GLD, and ceased reserving masks for internal consumption.

2.7 Moreover, from mid-February 2020, CSD, acting under the direction of the Policy Innovation and Co-ordination Office ("PICO"), has directly delivered around 700,000 pieces of adult masks monthly to the Food and Environmental Hygiene Department ("FEHD"), the Leisure and Cultural Services Department ("LCSD"), the Housing Department ("HD"), the Government Property Agency ("GPA"), the Marine Department ("MD") and the Customs and Excise Department ("C&ED") for distribution to cleansing workers employed by Government contractors. The quantity of masks distributed to each of the above departments is coordinated by PICO. Since 26 April 2020, the arrangement of direct delivery from CSD to the above departments has been replaced by delivery from CSD to GLD for despatch to those departments. Furthermore, from mid-March 2020, CSD has also delivered adult masks to the Office of the Government Chief Information Officer ("OGCIO") for distribution to people who have completed home quarantine.

2.8 The annual quantities of adult masks produced and

delivered by CSD between 2015/16 and 2019/20 are given in **Table 1**.

Table 1: Quantity of adult masks produced and delivered

		Year (No. of masks in ten thousand)				
		2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Produced		1,852.8 (100%)	1,313.3 (100%)	1,598.9 (100%)	1,213.7 (100%)	1,847.9* (100%)
Delivered	**GLD**	1,680 (90.7%)	1,183.2 (90.1%)	1,454 (90.9%)	1,071 (88.2%)	1,595.5 (86.3%)
	NGOs	22.6 (1.2%)	23 (1.8%)	15.7 (1.0%)	19.6 (1.6%)	10.2 (0.6%)
	SWD Agencies	0 (0.0%)	0 (0.0%)	0.5 (0.0%)	1.2 (0.1%)	0.2 (0.0%)
	HA Clusters	25.2 (1.4%)	22 (1.7%)	22.3 (1.4%)	16.8 (1.4%)	25 (1.4%)
	CSD (For internal consumption)	125 (6.7%)	85.1 (6.5%)	106.4 (6.7%)	105.1 (8.7%)	82.2 (4.4%)

* Of which around 1,346,000 pieces were delivered to relevant departments as directed by PICO, while around 2,000 pieces were delivered to OGCIO (see **para. 2.7**).

2.9 Between 12 February and 11 May 2020, the quantities of adult masks delivered by CSD to OGCIO, and to relevant departments as directed by PICO are given in **Table 2**.

Table 2: Quantity of adult masks delivered to OGCIO and to relevant departments as directed by PICO

		2020 (No. of masks)		
		12 Feb to 11 Mar*	12 Mar to 11 Apr	12 Apr to 11 May**
PICO (For distribution to cleansing workers employed by Government contractors)	FEHD	330,000	384,600	417,200
	LCSD	90,000	138,600	138,600
	HD	217,005	203,000	210,000
	GPA	9,500	12,000	12,000
	MD	5,900	5,900	5,900
	C&ED	2,100	2,100	2,100
	Total quantity delivered during the cycle	654,505	746,200	785,800
OGCIO (For distribution to people having completed home quarantine)	**Total quantity delivered during the cycle**	0	1,750	27,750

* The first delivery date of masks after the Government announced to distribute masks to cleansing workers employed by Government contractors was 12 February 2020. **Table 2** shows the figures for three delivery cycles (each of one month).

** Since 26 April 2020, the arrangement of direct delivery of masks by CSD to relevant departments as directed by PICO has been replaced

by delivery by CSD to GLD for despatch to relevant departments (see **para. 2.7**).

Child Masks

2.10 In mid-May 2020, CSD gradually started the production of child masks (see **para. 2.1**). All those masks are delivered to GLD for distribution to B/Ds with such need. Its output of child masks in May 2020 was 714,000 pieces.

PRICING OF CSI MASKS

2.11 CSD's industrial production is operated on a non-profit-making basis. For products supplied to B/Ds, it only charges the direct costs, covering the costs of raw materials, assembly[5] and transportation. As for products supplied to other organisations, the Commissioner of Correctional Services has the discretion to set the price covering at least the direct costs if not more. For adult masks, CSD will recover the direct costs from B/Ds (i.e. GLD and SWD Agencies) and charge NGOs and HA Clusters an additional administration fee (i.e. $0.01 for each mask). The selling prices of CSI masks are given in **Table 3**.

Table 3: Selling prices of CSI masks*

	Child mask	Adult mask	
		Before May 2020	Since May 2020
GLD	$0.5	$0.13	$0.55
SWD Agencies	-	$0.13	-
NGOs	-	$0.14	-
HA Clusters	-	$0.14	-

* Data as at August 2020

[5] Assembly costs are not included in the direct costs of CSI masks.

2.12 As regards the adult masks for internal consumption, CSD's subordinate units are required to purchase at direct costs (i.e. $0.13 for each mask) from I&VT Section of its Headquarters ("HQ I&VT Section"). However, after the COVID-19 outbreak, CSD has in late February 2020 switched to requesting distribution of masks from GLD at the price set by the latter (see **para. 3.5**) to meet its internal consumption (see **para. 2.6**).

MECHANISM FOR PRODUCTION OF CSI MASKS

Manufacturing Management and Control System

2.13 To effectively control the process of converting raw materials into a wide range of finished products, CSD uses the computerised Manufacturing Management and Control System ("MMCS") to record, handle and control client orders, job orders, goods in stock, materials in stock, consumption of materials, production costs, delivery status, etc. In the case of masks, after HQ I&VT Section receives a client order, it will issue job orders via MMCS to the institution Workshops for commencing production accordingly. All data concerning the supply of raw materials from suppliers and the retrieval of those materials from industrial warehouses, as well as the quantities of masks produced and delivered are inputted into MMCS for HQ I&VT Section and the Workshops to monitor the completion of orders, consumption of raw materials and delivery of masks.

Procurement of Raw Materials

2.14 CSD procures the raw materials of masks by quotation or tender. There are different durations[6] and expiry dates under the procurement contracts for various raw materials of masks. Where a procurement contract is about to end or the maximum quantity specified therein will soon be used up, CSD will estimate the quantity of masks to be produced over the duration of a new contract (taking reference from the order quantity in the past, and the order quantity as forecast by GLD), and calculate the quantity of a particular raw material required based on the bill of materials[7] before carrying out procurement. The procurement contracts between CSD and raw material suppliers stipulate that over the contract duration, CSD is entitled to purchase not more than 130%

[6] CSD's procurement contracts for various raw materials of masks last for one to two years.

[7] A bill of materials is an inventory of the raw materials, as well as the quantity of each, needed to manufacture a product.

or not less than 70% of the specified quantity of raw materials[8].

2.15 Over the duration of procurement contracts, CSD places purchase orders periodically with each raw material supplier on a need basis. The suppliers are required to deliver the raw materials to the locations specified under the contracts. Upon receiving the raw materials from suppliers, the institutions will store them in the industrial warehouses and input the relevant data into MMCS. All the industrial warehouses are secured with individual door locks, while the keys to the door locks are kept in the institutions' key rooms guarded with high security. Any CSD staff need to access the warehouses for work purposes are required to collect and return the keys according to established procedures. Before collection of keys, their identity will be verified and registered by the officer responsible for the key room. Generally, CSD will keep an inventory of raw materials sufficient for a month's production of masks.

Manufacturing Workflow and Storage

2.16 CSD's mask production is demand-oriented, which means that masks are manufactured based on the number of client orders. After receiving a client order, HQ I&VT Section will issue job orders via MMCS to the institution Workshops (see **para. 2.13**). The Workshops, upon receiving a job order, will commence production according to the quantity specified in the order, including retrieving sufficient raw materials from the industrial warehouses, adjusting the operating speed of machinery, and scheduling the duty roster of inmates.

2.17 Each Workshop is supervised by at least one CSD officer performing divisional duties to maintain order and discipline, and a technical instructor to supervise production and quality assurance. The production process of masks consists of the consecutive steps of manufacturing the main body of filter masks, welding the ear cords, quality checking and packaging. Technical instructors and

[8] For instance, where the specified quantity under a procurement contract is 100 metres of mask fabric, over the contract duration CSD is entitled to procure mask fabric from the supplier with a total quantity from not less than 70 metres to not more than 130 metres.

inmates who have received training are responsible for operating fully or semi-automated mask production machines[9].

2.18 Inmates responsible for quality assurance will check according to established procedures[10] whether the finished masks with ear cords are of satisfactory quality. They will also decide whether those masks found to be substandard can be processed again to meet the standard. In the case of being uncertain whether a mask can be processed again to meet the standard, the inmates can consult the technical instructor, who will make the decision. All masks having passed the quality checking are packaged at 50 pieces per box[11] by inmates responsible for packaging.

2.19 Masks awaiting delivery are temporarily stored in the industrial warehouses of the institutions. Generally, the warehouses only keep a maximum of three to four days' inventory of masks awaiting delivery. As regards those main bodies of masks cannot be finished with ear cords on the same day (i.e. semi-finished products), the staff concerned will record their quantity. All semi-finished products are temporarily stored in the industrial warehouses, pending completion of remaining procedures on the following day. The locking of warehouses and safekeeping of keys are detailed in **paragraph 2.15**.

Disposal of Substandard Masks

2.20 Generally, the Workshops carry out the procedures for scrapping and disposal of substandard masks at around 4 pm every day. Inmates will cut and destroy the substandard masks to make sure that they cannot be used. After the scrapped masks are

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[9] A fully automated mask production machine can manufacture the main body of masks and weld the ear cords automatically; a semi-automated machine can only manufacture the main body of masks, which will then be passed to inmates for welding the ear cords.

[10] The relevant procedures include checking the size of mask, whether the length and position of nose bridge meet the specifications, whether the ear cords are securely fixed, too long or too short, any abrasion or pilling of the mask surface, etc.

[11] Masks for distribution by OGCIO to people having completed home quarantine (see **para. 2.7**) are packaged at 5 pieces per bag by inmates.

weighed, the Principal Officer (I&VT) or Officer (I&VT) on duty will confirm the total weight and pass them to the Security Section[12] for disposal. The date and total weight of scrapped masks are recorded in the register of production, quality assurance and unserviceable items. The Principal Officer (I&VT) or Officer (I&VT) on duty will inspect the register from time to time to ensure proper implementation of the above procedures.

2.21 Between 2017/18 and 2019/20, the quantity of adult masks scrapped[13] by CSD and the unserviceability ratio each year are given in **Table 4**. According to information from CSD, an average of 5 to 7 masks were scrapped for every 1,000 adult masks produced by CSD in those three years. The situation remained similar year by year.

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[12] Each institution has its Security Section, which is responsible for assisting the Quality Assurance Division of CSD Headquarters to monitor the operation of the institution and detect any illegal activities within the institution.

[13] The quantity of adult masks scrapped by CSD is measured by dividing the total weight of substandard masks by the standard weight of a mask.

Table 4: Quantity of scrapped adult masks and unserviceability ratio

Year (No. of masks)	2017/18	2018/19	2019/20
Masks scrapped	83,240	87,556	118,482
Total output	15,989,000	12,137,000	18,479,000
Unserviceability ratio	1:0.0052	1:0.0072	1:0.0064

MECHANISM FOR DISTRIBUTION OF CSI MASKS

Arrangement for Placing Orders

2.22 Before the start of each financial year, GLD will request in around November or December all B/Ds to submit their estimated demand for masks in the upcoming financial year (see **para. 3.6**). In March, it will add up the estimated aggregate demand for masks from all B/Ds in that financial year, and inform CSD of the estimated quantity of masks ordered for that financial year (see **para. 3.9**). After the start of financial year, GLD generally issues the order for supply of stores every month to procure masks from CSD. If GLD requests, after the start of financial year, to procure more masks than the original estimated quantity, CSD will decide whether to accept the extra orders from GLD after considering any surplus production capacity of its Workshops and the ability to meet the delivery deadline requested by GLD.

2.23 To purchase masks from CSD, NGOs, HA Clusters and SWD Agencies are required to provide HQ I&VT Section with some basic information, including the organisation name, quantity of masks purchased, delivery address and means of contact. HQ I&VT Section, after reviewing the organisation's background, will decide whether to accept the purchase order after considering any surplus production capacity of its Workshops and the ability to meet the delivery deadline requested by the organisation. After deciding to accept the purchase order, HQ I&VT Section will input the

information into MMCS for the Workshops to commence production (see **para. 2.13**).

2.24 CSD indicated that in response to reports that purported CSI masks were sold or used in the market, it sought legal advice from the Department of Justice in mid-February 2020. Subsequently, it decided to impose restrictions on NGOs against resale, export or private usage of goods and/or services purchased from CSD. In late April 2020, a specialised application form for placing job orders by NGOs was introduced, stipulating the terms and conditions[14] for NGOs when purchasing goods and/or services from CSD in future. Furthermore, the form also specifies that purchase orders from NGOs are given a lower priority than those from Government departments and public bodies, and I&VT Section has the sole discretion to decide whether to accept and approve the purchase orders from NGOs. On 27 November 2020, CSD informed this Office that given the adequate supply of masks in the market at present and the substantial demand for masks from GLD, it had decided not to consider resuming the sale of CSI masks to NGOs in future.

2.25 As regards the masks for CSD's internal consumption, before late February 2020, each CSD institution's I&VT Section purchased masks direct from HQ I&VT Section for use in the institution's various workshops. Meanwhile, the Health Care Section of CSD Headquarters purchased masks through the Central Supplies Unit from HQ I&VT Section for use by all sections except I&VT Section. From late February 2020, CSD has switched to requesting distribution of masks from GLD for internal consumption[15] (see **para. 2.6**).

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[14] The terms and conditions include the NGO warrants and undertakes that all reasonable steps shall be taken to ensure that all products and/or services purchased under the order shall not be used for resale, export or any other private purpose by its staff, agents and sub-contractors (if any). Otherwise, the Government may at its full discretion cancel the remaining batches of products and/or services not yet delivered or provided under the order concerned, cancel all other orders made by the NGO, require the NGO to immediately return to the Government all products delivered at its own expense, and refuse to accept any orders from the NGO in future.

[15] CSD indicated that it has not procured masks from other suppliers before and after the pandemic, but some non-CSI masks were distributed to it by GLD in mid-May 2020.

Delivery Arrangement

2.26 To arrange for delivery of masks to requisitioning clients, the institution's Principal Officer (I&VT) or Officer (I&VT) should input into MMCS the client's name and the quantity of masks requisitioned. The delivery note will only be approved by MMCS when sufficient quantity of finished masks is available. On the delivery day, the institution officer responsible for internal logistics is required to present to the gate supervisor a barrier permit issued by a Chief Officer, Industries Manager/Coordinator or their authorised representatives. After verifying the masks to be taken outside the institution, the gate supervisor will sign on the barrier permit. The masks will then be passed to a transportation contractor for delivery to the client. The contractor should return to CSD the delivery note signed by the client before settlement of transportation fees.

2.27 Upon confirming the completion of delivery, CSD's Accounts Section will issue a demand note to the client for payment. The transactions of CSD's subordinate units (see **para. 2.25**) are settled through the Government Financial Management Information System.

MECHANISM FOR STOCKTAKING OF CSI MASKS

Stocktaking Arrangement

2.28 CSD verifies the stores of raw materials, semi-finished products and finished products of all its goods (including CSI masks) in March and September each year. The stocktaking in September is conducted for internal audit, while the one in March is for preparing the statement of assets and liabilities in the General Revenue Account (including the Correctional Services Industries Suspense Account for recording the financial activities of I&VT Section), subject to auditing by the Audit Commission ("Audit"). In the annual report on the Accounts of the Hong Kong Special

Administrative Region ("HKSAR") Government for the years between 2015/16 and 2019/20, Audit did not have any negative comments on the Correctional Services Industries Suspense Account.

2.29 After stocktaking, CSD will compare the MMCS records with the stores records for examining any loss of finished or semi-finished masks, or any discrepancies between the two records. By comparing the balance records computed by the system, CSD will also review various kinds of raw materials to identify any situation of "Over Use" (the actual consumption according to stocktaking is more than the estimated quantity) or "Under Use" (the actual consumption according to stocktaking is less than the estimated quantity). In case of any "Over Use" or "Under Use", the institution concerned is required to explain the discrepancy (usually caused by wear and tear of machines, maintenance, machine replacement, etc.) and suggest follow-up solution. The suggested solution, after approved by Chief Officer (I&VT), should be implemented by the institution concerned.

2.30 In the annual stocktaking exercises conducted in March and September between 2015/16 and 2019/20, CSD did not find any loss of raw materials of masks, semi-finished masks and/or finished masks, or any discrepancies between the relevant records. In other words, no irregularities were revealed in the stocktaking of CSI masks between 2015/16 and 2019/20.

3

GLD'S ARRANGEMENTS FOR PROCUREMENT, DISTRIBUTION AND STOCKTAKING OF CSI MASKS

BACKGROUND

3.1 As part of its duties, GLD is responsible for procuring, inspecting, storing and distributing unallocated stores items held in GLD's unallocated stock. Pursuant to the Stores and Procurement Regulations[16] ("SPR") 245, except in circumstances specified by the SPR, B/Ds are required to procure unallocated stores through GLD, including masks and other personal protective equipment ("PPE"). Masks include regular and small size masks for medical use, and masks for general use[17]. Other PPE includes N95 respirators, face

[16] The SPR is introduced by the Financial Secretary/Secretary for Financial Services and the Treasury under the Public Finance Ordinance to regulate the management and procurement of Government stores. Among the B/Ds and organisations which can request distribution of masks from GLD, this Office, the Hong Kong Monetary Authority, the Independent Police Complaints Council, the Legislative Council Secretariat, and HD as the executive arm of the Hong Kong Housing Authority do not handle the management and procurement of stores pursuant to the SPR. Original provisions of the SPR cited in this investigation report are listed in **Appendix 1**.

[17] Since May 2020, GLD has additionally supplied B/Ds with a type of masks for general use, which is different from that for medical use with the latter offering a higher standard of protection.

shields, gowns and protective coverall suits (collectively referred to as "PPE"). CSI masks are classified as masks for medical use.

3.2 Before the COVID-19 outbreak, GLD maintained a regular stock of different kinds of PPE in accordance with the Government's ongoing preparedness and response to infectious diseases, including 10 million pieces of regular and small size masks[18] for medical use.

3.3 GLD's functions include facilitating the compliance with the SPR by B/Ds. It is responsible for issuing to B/Ds the Guidelines and Procedures for Stores Management of Government Stores to remind controlling officers of all B/Ds to perform their stores management duties under the SPR; organising seminars annually for departmental officers responsible for stores procurement and/or management, and arranging for supplies grade staff to attend the SPR refresher courses every three years to reinforce their know-how; and providing supplies supervisor grade/supplies assistant grade staff with a handbook covering such topics as stores records, ledger keeping and management, etc. The handbook is available on the Central Cyber Government Office for reference by relevant staff.

MECHANISM FOR PROCUREMENT OF MASKS

Unallocated-Store Program

3.4 For effectively processing the supply of unallocated stores, GLD uses the computerised Unallocated-Store ("U-Store") Program to process orders from B/Ds, such as recording the incoming and outgoing quantities of various stores, the estimated demand for stores from B/Ds, and the delivery of stores.

Pricing of Masks

[18] Since mid-May 2020, CSD has gradually started the production of child masks (see **para. 2.1**). In the same month, GLD started procuring CSI child masks from CSD, which are classified as small size masks for medical use.

3.5 After distribution of masks to B/Ds, GLD will charge B/Ds pursuant to SPR 705(b) for the costs, which are based on the weighted average cost[19] of that type of masks computed automatically by the U-Store Program.

[19] The weighted average cost is calculated by dividing the cost of the stores item available for distribution by the number of those stores item available for distribution. Since the COVID-19 outbreak, GLD has increased its inventory to cope with the pandemic, and thus needs to store some masks in a rented warehouse. The extra expenses incurred (i.e. rental) are included in the costs of relevant stores item.

Estimated Demand

3.6 To assess the demand for masks from B/Ds, GLD’s Provisioning and Inspection (“P&I”) Section will request, in around November or December each year, all B/Ds to submit their estimated demand for masks in the upcoming financial year. In submitting their estimated demand, departmental stores managers should provide a pragmatic forecast according to the Guidelines and Procedures for Stores Management of Government Stores issued by GLD (see **para. 3.3**), taking into account such factors as the stock on hand, past consumption pattern, shelf life of stores, any foreseeable changes to workflow or operational procedures, thereby avoiding excessive or insufficient stock of masks.

3.7 GLD’s P&I Section will scrutinise the estimated demand for masks submitted by B/Ds. If the estimated demand is more or less than 30% of the demand in any of the previous two financial years, P&I Section will ask the B/D concerned to review and provide justification(s), so as to ensure that the estimated demand submitted is correct and accurate. When scrutinising a B/D’s estimated demand, P&I Section will consider the quantity of masks ordered by that B/D in the past two financial years, and any factors that can affect its estimated demand (such as change in headcount, workload/job nature/environment, etc.). The estimated demand of each B/D is recorded in the U-Store Program. After scrutiny, P&I Section will arrange for subsequent procurement based on the masks in stock and estimated aggregate demand from B/Ds. The costs of masks are charged to the unallocated stores account administered by the Director of Government Logistics. GLD will then arrange for delivery of masks by suppliers to GLD in a timely manner. Upon receiving the masks delivered by suppliers, GLD will keep the masks in its unallocated store with security measures, including alarm system, 24-hour CCTV surveillance and security patrolling. To access the unallocated store, relevant staff are required to register upon collecting and returning the keys. Pursuant to SPR 896(a) and 896(b), GLD’s Controller (Supplies Management) and Principal Supplies Officer (Supplies Management) will conduct surprise inspection on the security

measures of the unallocated store at least once every two years and every three months respectively.

3.8 In the past five years (i.e. from 2015/16 to 2019/20), GLD accepted after scrutiny all applications from B/Ds whose estimated demand for regular size masks for medical use was more or less than 30% of the demand in any of the previous two financial years, as GLD was satisfied with the justification(s)[20] provided by the B/Ds concerned.

Regular Size Masks for Medical Use

3.9 CSD is GLD's major supplier of regular size masks for medical use. In March each year, GLD, after adding up the estimated aggregate demand for regular size masks from all B/Ds in the upcoming financial year, will first make verbal enquiry with CSD. It will then confirm in writing with CSD the quantity of CSI adult masks (i.e. regular size) that CSD can supply to GLD in the upcoming financial year. After the start of financial year, GLD generally issues the order for supply of stores to CSD every month to procure its CSI adult masks[21].

3.10 Where GLD finds that its inventory of regular size masks and the quantity of CSI adult masks can be supplied by CSD are not sufficient to meet the estimated aggregate demand for regular size masks from all B/Ds in the upcoming financial year, it will make up the shortfall by procuring from other suppliers pursuant to the SPR[22], so as to fully meet the demand. Furthermore, after the start

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[20] Taking the Registration and Electoral Office as an example, its estimated demand for regular size masks was 2,000 pieces in 2013/14 and 60,000 pieces in 2015/16, representing an increase of 30 times. The justification provided to GLD was that the masks would be used for the 2015 District Councils Election, which was accepted by GLD.

[21] Since the COVID-19 outbreak, CSD has been unable to confirm the quantity of masks it can supply to GLD in 2020/21 because its mask output is subject to continuous review and adjustment. As such, GLD has switched to making monthly enquiry with CSD on its forecast of its output of masks for the following month. Based on the data provided by CSD, GLD then issues the order for supply of stores to procure CSI masks.

[22] GLD carries out procurement pursuant to Chapter II (by quotation for procurement of

of financial year, if any B/D's request to increase the distribution quantity of regular size masks for various reasons (such as epidemic outbreak) is accepted by GLD, GLD will enquire with CSD whether it can supply the extra quantity of masks requested by the B/D concerned within the specified period. Where the extra quantity cannot be fully supplied by CSD, GLD will make up the shortfall by procuring from other suppliers pursuant to the SPR (see **note 22**), so as to fully meet the extra demand[23].

Arrangement for Mask Procurement since Pandemic Outbreak

3.11 To cope with the demand for different types of masks under the COVID-19 pandemic, GLD has since early January 2020 adopted various means for procurement of masks (such as by quotation and raising the purchase quantity under existing contracts). In light of the development of the pandemic, GLD subsequently started direct procurement (i.e. without going through any quotation or tender procedures) in the same month. As long as the masks put up for sale by the manufacturer or supplier met the technical specifications and were offered at the prevailing market price, GLD would make immediate direct purchases. Moreover, by conducting an open tender exercise for procuring masks in late January 2020, GLD succeeded in obtaining the contact details of more suppliers and widening its source of supply. The Hong Kong Economic and Trade Offices overseas and Invest Hong Kong also leveraged on their networks to assist in the procurement drive by referring overseas suppliers to GLD, or acting on behalf of GLD in confirming orders for PPE (including masks).

3.12 Furthermore, in a bid to accurately assess B/Ds' demand for regular and small size masks for medical use under the pandemic, FSTB instructed on 3 February 2020 all B/Ds to review

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estimated value not exceeding $1.4 million) or Chapter III (by tender for procurement of estimated value exceeding $1.4 million) of the SPR.

[23] Before the COVID-19 pandemic, GLD rarely needed to procure regular size masks from other suppliers, which only happened twice in recent years. In 2015, it procured an extra of 120,000 boxes of regular size masks due to the persistence of Ebola virus disease overseas and an outbreak of Middle East Respiratory Syndrome in Korea. Subsequently, in 2016, it procured an extra of 34,000 boxes of regular size masks due to increased demand for those masks from certain departments.

the quantity of regular and small size masks required monthly according to the criteria specified in the internal guidelines issued by FSTB on the same day (see **para. 3.20**). The result showed that an estimated total of around 8 million pieces of regular and small size masks were required by all B/Ds per month. Since the 8 million masks were only sufficient for meeting the demand of B/Ds under the criteria aforesaid and could barely meet their demand in other circumstances holistically, B/Ds were instructed by FSTB that they were allowed to directly procure masks according to their operational requirement from mid-February to early May 2020[24].

MECHANISM FOR DISTRIBUTION OF MASKS

Distribution Arrangement

3.13 After the start of each financial year, B/Ds can request GLD to distribute the masks as needed by issuing e-orders via the U-Store Program. The U-Store Program automatically verifies whether the e-orders from B/Ds are prepared and approved by designated officers, and whether the quantity of masks requisitioned is not more than the balance of their approved distribution quantity[25]. Any B/D requisitioning more masks than the approved distribution quantity should first contact GLD's P&I Section with justification(s) for consideration of increasing its distribution quantity. When scrutinising a B/D's request for distribution of more masks, P&I Section will consider the actual quantity of masks ordered by the B/D concerned in the current financial year, its reasons for requisitioning more masks (such as change in headcount, workload/job nature/environment, etc.), the urgency of its increased demand for masks, and GLD's stock at that time (including any immediate impact on the supply of masks to other B/Ds after approving the increase of distribution quantity to the B/D concerned, the purchase lead time, etc.). Upon approval by P&I Section, the B/D concerned can issue e-orders to GLD via the

[24] In early May, FSTB issued internal guidelines to all B/Ds that B/Ds should cease to procure their own masks, and inform B/Ds that they can request distribution of masks for general use from GLD.

[25] The approved distribution quantity refers to the estimated demand submitted or subsequently revised by B/Ds and approved by GLD's P&I Section.

U-Store Program.

3.14 Between 2015/16 and 2019/20, GLD accepted all applications from B/Ds for distribution of more regular size masks for medical use. The reasons submitted by B/Ds for their applications included controlling the potential spread of Middle East Respiratory Syndrome infection, and preventing and combating the surge of seasonal influenza (see **para. 3.10**).

Improvement to Distribution Arrangement

3.15 During our direct investigation, GLD reviewed the above mechanism (see **para. 3.13**) in response to our enquiry. GLD explained that pursuant to SPR 128, controlling officers of all B/Ds should ensure the effective and efficient use of Government stores, and that B/Ds' inventory needs would vary according to their operational requirement. As such, in the past when a B/D requested to increase the distribution quantity of any stores (including masks) after the start of financial year, GLD would not ask the B/D to state its stock of that stores item. After reviewing the above mechanism, GLD reckoned that knowing the stock held by the B/D can facilitate the assessment of its urgency in demanding the extra stores, thereby deciding whether to increase the distribution quantity and the time frame of distribution. GLD, therefore, has since 21 September 2020 required B/Ds to state their stock of the stores in their applications for increasing the distribution quantity as reference for GLD to scrutinise their applications.

Delivery Arrangement

3.16 After receiving the e-order from a B/D, GLD's P&I Section will send the approved U-Store purchase and delivery order ("U-Store D/O") to its Storage and Distribution ("S&D") Section via the U-Store Program. According to details on the U-Store D/O, S&D Section will decide to distribute which batch of masks based on the "first-in first-out" principle and the suggested shelf life of masks[26]. It will then arrange for delivery of masks to the requisitioning B/D by its own fleet. The requisitioning B/D is required to sign the delivery note to confirm the type and quantity of masks received.

3.17 In general, only after scheduling the routes of its own fleet, GLD will engage a transportation contractor to handle those delivery orders in excess of its fleet's capacity. The transportation contractor is required to collect the delivery orders and masks as instructed by GLD, and to complete delivery to the requisitioning B/Ds on the same day. It should return to S&D Section the delivery notes signed by the requisitioning B/Ds to confirm the completion of delivery.

Payment Arrangement

3.18 After distribution of masks by GLD, the Director of Government Logistics will inform the Director of Accounting Services for debiting the relevant amount from the appropriate subheads of expenditure of the B/Ds concerned and crediting the amount to the Unallocated Stores Account of GLD correspondingly.

Criteria on Mask Distribution and Special Arrangement after Pandemic Outbreak

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[26] For instance, after purchasing a batch of CSI adult masks with a suggested shelf life of five years, GLD further purchases, one year later, a batch of non-CSI regular size masks for medical use with a suggested shelf life of three years. The batch of non-CSI masks will be first distributed to B/Ds as it will expire earlier.

3.19 Before the COVID-19 pandemic, the quantity of masks held in stock and procured by GLD is sufficient to meet the demand from all B/Ds.

3.20 After the pandemic outbreak, the Steering Committee cum Command Centre[27] established to tackle the pandemic considered it necessary to prioritise the use of masks in Government stores. On 3 February 2020, FSTB issued internal guidelines to B/Ds stating that the top priority was to ensure the supply of masks for healthcare workers and Government staff involved in contact with patients. B/Ds should ensure that masks were only distributed to staff members for use if they would have frequent contact with members of the public as part of their duties (e.g. counter staff) or work in crowded places; or it was for meeting essential operational needs; or it was for meeting special needs of the staff members concerned (e.g. medical conditions).

3.21 As regards the criteria for distribution of masks to B/Ds by GLD, the Government also decided on 12 February 2020 that under the emergency situation at that time, GLD would only provide masks for healthcare workers, frontline staff participating in quarantine-related work or maintaining essential public services, cleansing workers employed by Government contractors (see **para. 2.7**), as well as the frontline staff of residential care homes for the elderly ("RCHEs") and residential care homes for persons with

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[27] There are four Workgroups under the Steering Committee cum Command Centre chaired by the Chief Executive. The Workgroup on Disease Prevention and Control led by the Secretary for Food and Health is responsible for formulating strategies to manage infected cases and maintaining close liaison with relevant departments on the Mainland and the World Health Organisation. The Workgroup on Responses and Actions led by the Chief Secretary for Administration will coordinate the work of various departments in fighting the disease. The Workgroup on Public Participation led by the Secretary for Home Affairs will encourage the community to take part in activities to tackle the virus. The Workgroup on Communications led by the Secretary for Constitutional and Mainland Affairs will make sure that the latest and accurate messages are conveyed to all members of the public and stakeholders speedily and effectively. An expert advisory group is also set up under the Steering Committee cum Command Centre to provide professional advice to the Chief Executive and the HKSAR Government.

disabilities ("RCHDs"), and care home residents with illness[28]. In response to the development of pandemic situation and the need of various community sectors, some GLD masks were also distributed during different periods, as arranged by the B/Ds concerned, to candidates of the Hong Kong Diploma of Secondary Education Examination, public markets, public housing estates, subvented residential child and youth care service units, etc. In particular, the Transport and Housing Bureau ("THB") lent a total of 110,000 pieces of CSI adult masks to Kowloon Motor Bus Company Limited, New World First Bus Services Limited/Citybus Limited, New Lantao Bus Company Limited and Hongkong Tramways Limited at the request for assistance from those four companies. Between May and October 2020, the four companies gradually returned to THB the CSI adult masks not yet used, or regular size masks with the same protection specifications.

Statistics regarding Procurement, Stock, Distribution and Disposal of Masks

3.22 The quantities of regular size masks for medical use (including CSI adult masks) procured, stored, distributed and destroyed by GLD between 2015/16 and 2019/20 are tabulated in **Appendix 2**.

3.23 The quantities of regular size masks (including CSI masks and non-CSI masks) distributed yearly by GLD to B/Ds between 2017/18 and 2019/20 are tabulated in **Appendix 3**.

MECHANISM FOR STOCKTAKING OF MASKS

Records of Receipt and Despatch of Masks

3.24 GLD keeps complete records of the receipt and issue of all

[28] Since February 2020, SWD has supplied 1 million pieces of regular size masks for medical use distributed by GLD to frontline staff of RCHEs and RCHDs, and care home residents with illness per month. Subsequently, the Government announced on 21 March 2020 to increase the distribution quantity from 1 million to 2 million pieces per month.

unallocated stores (including masks) pursuant to SPR 610. GLD will record such details as the name of suppliers/requisitioning B/Ds, the date of receipt/issue of stores, and the expiry date of stores. Pursuant to SPR 615, GLD designates public officers other than those in direct control of the stores to post to the ledgers receipt and issue of stores.

Stocktaking of Masks

3.25 In compliance with various provisions of the SPR, GLD arranges for different officers to verify the unallocated stores and security measures[29], including checking the unallocated stores (including CSI masks) once a year pursuant to SPR 1015(b)(i). GLD informed this Office that after inspecting the records in the past seven years (i.e. from 2013 to 2019), no discrepancies were found between the physical and ledger balances of CSI adult masks[30] during the checking of unallocated stores, nor was there any disposal of CSI adult masks due to expiry. Where any stores items are found to be expired, GLD should make a report to the Departmental Disposal Committee, which can arrange for disposal of non-inventory items found to be unserviceable. GLD indicated that if disposal of expired masks (including CSI masks) is needed in future, it will first cut and destroy the masks and their packaging boxes, and properly record how the masks are disposed of. Moreover, GLD remarked that it had never found any substandard CSI masks. Where any CSI masks are found to be substandard, its P&I Section will give written notification to CSD and return that batch of goods, as well as requiring CSD to replace the goods within a specified period.

[29] In addition to checking the unallocated stores once a year pursuant to SPR 1015(b)(i), GLD also arranges for different officers to conduct surprise inspections on the unallocated stores and/or security measures pursuant to SPR 896(a), 896(b) and 1005. In the past seven years, among the surprise inspections conducted by the officers concerned under those three provisions, only one in 2017 involved CSI adult masks, during which no discrepancies were found between the physical and ledger balances of masks.

[30] Since GLD only started procurement of CSI child masks from CSD in May 2020, GLD only kept CSI adult masks in its unallocated store between 2013 and 2019.

4

MANAGEMENT AND USE OF CSI MASKS BY USER B/Ds

BACKGROUND

4.1 All B/Ds can request distribution of masks from GLD (see **para. 1.1 and note 1**). To learn more about user B/Ds' procedures for handling the masks received, in addition to CSD and GLD, we select five B/Ds to further examine how masks are handled by user B/Ds in general. In making the selection, we have taken into consideration a variety of factors including the functions of the B/D (such as the nature of its ordinary duties, any participation in prevention and control of COVID-19, and any need to have frequent contact with the public), size of the B/D, and the quantity of CSI masks distributed to its staff in the past. The five selected B/Ds are FEHD, C&ED, the Census and Statistics Department, the Registration and Electoral Office, and the Electrical and Mechanical Services Department.

4.2 As regards the two departments under investigation, GLD is required to request distribution of masks from its P&I Section according to established procedures (see **paras. 3.6 and 3.13**), same as other B/Ds. CSD's subordinate units, before late February 2020, ordered masks from HQ I&VT Section, instead of having masks distributed via GLD. Since late February 2020, CSD has

switched to requesting distribution of masks from GLD (see **para. 2.6**).

DELIVERY AND STORES RECORDS

Delivery Arrangement

4.3 There are generally three types of arrangements for delivery of masks by GLD to user B/Ds, and delivery of masks for internal consumption by CSD to its subordinate units, as detailed below:

Table 5: Arrangement for delivery of masks

	No. of B/Ds involved	
	Before COVID-19	**Since COVID-19**
(1) Delivery of masks to departmental store unit for keeping first	1	4
(2) Direct delivery to B/D's subordinate units	4	2
(3) Delivery of some masks to departmental store unit for keeping, with the remaining masks delivered directly to B/D's subordinate units	2	1

Stores Records

4.4 Masks are non-inventory items. Pursuant to SPR 710(b), inventory items are generally stores of permanent or non-consumable nature and with a unit cost at or above $1,000 at the time of purchase, while all the other stores (including masks) are non-inventory items. Same as other non-inventory items (such as pencils and rubbers), pursuant to SPR 765(a) and 765(b), B/Ds

should account for the receipt and issue of masks held in their departmental store unit in a Non-inventory Stores Ledger ("the Ledger"). For those masks not held in departmental store unit but instead delivered directly to B/Ds' subordinate units, the inventory holders should account for the receipt of masks in other forms (e.g. in the relevant voucher such as the Departmental Combined Requisition and Issue Voucher). After receipt of masks, B/Ds' subordinate units are not required to account for the masks consumed or not yet consumed. The two departments under investigation and the five departments providing information (collectively referred to as "the seven departments") account for the masks received in the following ways:

Table 6: Accounting for masks in the Ledger

	No. of B/Ds involved	
	Before COVID-19	**Since COVID-19**
(1) Receipts of masks are recorded in the Ledger	2	4
(2) Masks are delivered to B/D's subordinate units; the receipts of masks are recorded by inventory holders in forms other than the Ledger	4	2
(3) Some masks are delivered to subordinate units, with the receipts of masks recorded by inventory holders in forms other than the Ledger; the remaining masks are held in B/D's central store unit and the receipts of those masks are recorded in the Ledger	1	1

DISTRIBUTION OF MASKS

Distribution of Masks for Staff Use

4.5 Before the pandemic, the seven departments' subordinate units mainly distributed masks for staff use in the following ways:

Table 7: Distribution measures before COVID-19

	No. of B/Ds involved
(1) Placing a box of masks in the workplace for staff use, with the back-up masks kept in storage cabinet/room	5*

(2) Distributing the majority of masks to staff, with the remaining masks reserved for back-up purpose	2*
(3) Masks were kept in storage cabinet/room, and only provided upon request of staff (e.g. for work purposes)	1
(4) Requesting staff to sign upon receipt	0

* One of the departments stated that it mainly distributed masks by way of (1) and (2) in Table 7 before the pandemic.

4.6 Regarding distribution by way of (1), all five departments involved had assigned officers to safekeep the masks, or placed the masks at a conspicuous spot in the office. None of the five departments kept a record for the date of replacing a new box of masks after using up the old box.

4.7 Since the pandemic outbreak, all the seven departments have strengthened their distribution measures as detailed below:

Table 8: Distribution measures since COVID-19

	No. of B/Ds involved
(1) Designating officers to distribute the masks	4
(2) Designating officers to safekeep the masks	5
(3) Designating officers to record the distribution of masks	6*
(4) Requesting staff to sign upon receipt	4**

* One of the departments stated that most of its subordinate units would record the distribution of masks.

** One of the departments stated that only some of its subordinate units would request staff to sign upon receipt of masks.

Distribution of Masks for Use by Persons Other Than Staff

4.8 Before the pandemic, one of the seven departments, when organising major public events, would provide the masks distributed by GLD for members of the public with such need. Besides, that department, together with two other departments, would provide masks for visitors with such need both before and after the pandemic outbreak. None of those three departments would ask members of the public/visitors to sign upon receipt of masks. Moreover, before the pandemic, CSD would provide inmates with masks for occupational safety and health, and for personal hygiene. Subsequently, since early April 2020, CSD has switched to distributing masks to each inmate on a daily basis. Notwithstanding that inmates are not required to sign upon receipt of masks, the institutions have designated officers to record the distribution of masks.

4.9 After the pandemic outbreak, the seven departments would distribute masks to the following persons (other than staff):

Table 9: Persons (other than staff) who have been provided with masks since COVID-19

	No. of B/Ds involved
(1) Employees of service contractors	4
(2) Members of the public with such need who were participants in major public events	1
(3) Visitors with such need	4*
(4) Inmates	1 (CSD)

* One of the departments maintained this arrangement for two weeks.

GUIDELINES ON PREVENTING MISAPPROPRIATION OF MASKS

Guidelines on Preventing Misappropriation of Masks by Staff

4.10 GLD has issued to B/Ds the Guidelines and Procedures for Stores Management of Government Stores, which is circulated to B/Ds every six months. Controlling officers are reminded by the Guidelines to perform their duties under the SPR, including properly accounting for and closely monitoring the quantities and conditions of stores kept for contingency purpose (including masks), such as their expiry date. Moreover, the revised Guidelines dated 29 April 2020 also stipulates that all stores items issued by GLD shall be for use in the discharge of government services only.

4.11 Meanwhile, among the seven departments, one already issued guidelines on preventing misuse of masks by staff as early as 2011. It is stipulated that early distribution of masks in large quantity to staff should be avoided, and suggested that unpacked masks to be placed at the workplace/reception counter for staff to obtain before start of work, so as to prevent the masks from being used for purposes other than discharge of official duties. Another department issued guidelines on preventing misuse of masks by staff in January 2020, stipulating that masks should be distributed to each staff member on a daily basis solely for use at work and during the commute to and from office, and that distribution of masks should be handled by designated officers. The other five departments have not specially drawn up separate guidelines on preventing misuse of masks by staff. However, pursuant to SPR 885 and the Civil Service Code, public officers are personally responsible for the safe custody of all stores received by them in the course of their duties, and shall use public resources only for the authorised purposes.

Guidelines on Preventing Misappropriation of Masks by Persons Other Than Staff

4.12 Before the pandemic, three departments would provide masks for members of the public/visitors with such need (see **para. 4.8**), but none of them have issued any guidelines on preventing misuse of masks by members of the public/visitors.

4.13 After the pandemic outbreak, one of the departments which would provide masks for visitors with such need (see **Table 9(3)**) has tightened the arrangement by assigning officers to record the date and quantity of masks received by visitors. Furthermore, among the four departments which would provide contractor employees (see **Table 9(1)**) with the masks distributed by GLD after the pandemic outbreak, one has not drawn up any guidelines in this regard, on the grounds that the masks are provided for immediate use. Measures adopted by the other three departments against misappropriation of masks by contractor employees are as follows:

Table 10: Measures against misappropriation of masks by contractor employees

	No. of B/Ds involved
(1) Requesting employees to sign upon receipt of masks	3
(2) Requesting employees to use the masks received when working for the department	2
(3) Distributing masks to employees on a daily basis	2

SAFEKEEPING OF MASKS

Issuing Guidelines to Staff

4.14 None of the seven departments have drawn up specific guidelines on safekeeping of masks by staff. However, pursuant to SPR 885, public officers are personally responsible for the safe custody of all stores received by them in the course of their duties, and one of the departments has specified this requirement in its internal guidelines.

Security Measures of Departmental Store Unit

4.15 Among the seven departments, three would keep all/some masks in their central store unit before the pandemic, while two other departments have switched to keeping all/some masks in the central store unit since the pandemic outbreak (see **Table 5(1) and (3)**). The security measures of those five departments' central store unit are as follows:

Table 11: Security measures of central store unit

	No. of B/Ds involved
(1) Regular patrol by security officers	4
(2) CCTV surveillance outside store unit	3
(3) Independent door lock installed; door locked by staff after storing and retrieving the stores	5
(4) Keys are kept in key cabinet under lock in the office, or in the custody of designated officers	5
(5) Store unit is sealed with a paper affixed on the door lock, with the department chop, signature of store unit supervisor and date on the paper	1
(6) Electrical roller shutter and alarm system	1

The remaining two departments would not keep any masks in the central store unit both before and after the pandemic outbreak.

Safekeeping Measures in Workplace

4.16 Among the seven departments, six keep the masks reserved for use in the workplace in locked storage cabinets/rooms (see **Table 7(1) and (3)**), with designated officers responsible for safekeeping. The remaining one department, which would reserve some masks for back-up purpose (see **Table 7(2)**), indicated that it has no such requirement because non-inventory items (including masks) are not required under the SPR to be kept in a locked storage cabinet/room. Its masks reserved for back-up purpose are usually kept by staff responsible for stores supply.

STOCKTAKING OF MASKS

4.17 Among the seven departments, three kept all/some masks in the central store unit before the pandemic (see **Table 5(1) and (3)**). Pursuant to the SPR, those three departments would check all inventories (including masks) in the store unit once a year, and carry out surprise stock (might not include masks) and security checks at irregular intervals every three months. One of those departments would even check its stock of masks every month. In the past five years, all three departments did not find any discrepancies between the physical and ledger balances of masks.

4.18 As for the remaining four departments, since they did not keep any masks distributed by GLD in the central store unit before the pandemic, they were not required to carry out any periodical stocktaking pursuant to the SPR. Nevertheless, after the pandemic outbreak, all B/Ds were required, between late February and early May 2020, to inspect their stock of masks weekly and submitted the data to FSTB at its request. Since early May 2020, five of the departments have continued to ask their subordinate units to conduct periodical stocktaking of masks, so as to monitor the quantity of masks held in stock and used. Another department

requested all its subordinate sections to conduct surprise checks on the stock of masks starting from May 2020 and at least once every three months thereafter.

PROCEDURES FOR DISPOSAL OF EXPIRED MASKS

4.19 According to the Guidelines and Procedures for Stores Management of Government Stores issued by GLD to all B/Ds (see **para. 3.3**), B/Ds should decide on the sequence of distributing masks based on the "first-in first-out" principle and the suggested shelf life of masks. B/Ds are also required to handle expired stores (including expired masks) pursuant to the SPR, but no specific procedures for disposal of expired masks are provided in the SPR.

4.20 Between 2015/16 and 2019/20, only one among the seven departments disposed of 1,800 pieces of expired small size masks for medical use in August 2016. That department, upon approval by the departmental disposal authority, assigned staff to cut and destroy those expired masks and packaging boxes, which were then discarded in fastened plastic garbage bags. The type and quantity of masks were recorded in the List of Stores for Dumping.

4.21 As for the other six departments, two of them indicated that they would report to the departmental disposal authority for deciding whether to assign staff to discard the non-inventory stores confirmed to be unserviceable. Another department stated that, when there was an acute shortage in the supply of masks at the onset of COVID-19, it decided, after balancing the pros and cons, to keep 2,888 pieces of expired masks[31] in good condition as the last resort, of which 250 pieces were distributed to staff for contingency use. The staff concerned were informed that those masks had passed the expiry date and should only be used in emergency situation before arrival of the next batch of masks. Subsequently, when the supply of masks became steady, the department reminded the staff concerned to destroy the expired masks not yet been used, and planned to consult GLD on the specific procedures before

[31] The department indicated that it had no record about whether those 2,888 pieces of expired masks were CSI or non-CSI masks.

disposing of the remaining 2,638 pieces of expired masks still in its possession. As for the other three departments, one of them indicated that it has not drawn up specific procedures for disposal of expired masks. Another department stated that if any masks distributed by GLD are found to be expired, it will follow up with GLD. The third department remarked that it would handle expired masks pursuant to the SPR.

5

OTHER OBSERVATIONS AND FINDINGS

PUBLIC VIEWS AND MEDIA COVERAGE

5.1 After inviting the public to provide information and views relevant to this subject on 5 March 2020, we received a total of 63 public submissions (see **note 2**). We also received 14 complaints about alleged misuse of CSI masks, and 17 complaints about access to information related to CSI masks under the Code on Access to Information. Furthermore, we have scrutinised news coverage on this subject, as well as texts, photographs and video footage circulating online. The allegations from various sources are summarised below.

Allegation 1: Sale of CSI Masks by Individual Sellers/Stores

5.2 Since late January 2020, the media successively reported that individual sellers/shops had CSI masks on sale. In particular, a media report on 21 January 2020 alleged that a seller offered CSI masks on an online marketplace, and covered the process of a person suspected of using CSI masks to exchange for cash coupons.

Allegation 2: CSI Masks Provided by Civil Servants to Relatives/Friends

5.3 Furthermore, several media interviewed passers-by who were wearing CSI masks on the street. When asked about the

source of masks, some said their masks were purchased from a shop (see **para. 5.2**), while some replied that theirs came from relatives or friends who were civil servants. Among the public views and complaints this Office received, certain members of the public also remarked that they learned from different channels that some civil servants had provided relatives or friends with CSI masks. Nevertheless, we have not pursued our investigation in this direction because the information is too vague or based on hearsay.

Allegation 3: Distribution of Expired CSI Masks to Staff by B/Ds

5.4 The suggested shelf life of CSI masks is five years (see **para. 2.3**). In late January 2020, a social media post alleged that, according to information, CSI masks manufactured in 2009 and 2014 (given the shelf life of five years, all those were expired masks) were distributed to some civil servants in the same month. Moreover, a serving civil servant told us that a department had placed some CSI masks manufactured in July 2014 in the workplace for staff use since late January 2020, and provided us with the packaging box as supporting evidence.

5.5 In this connection, we have scrutinised the stores records of regular size masks for medical use (including CSI adult masks) issued by GLD in December 2019 (i.e. around a month prior to the COVID-19 outbreak in Hong Kong). We notice that the regular size masks distributed by GLD to B/Ds in that month bore an expiry date of November to December 2023 (including CSI adult masks manufactured in November to December 2018). Furthermore, according to a Government spokesman's clarification on 26 January 2020, the masks held in stock by GLD at that time were manufactured in January 2019 at the earliest[32]. As such, we believe that if this allegation is true, the CSI masks distributed to the above-mentioned civil servants at the onset of the pandemic were probably stores left over from the CSI masks distributed to individual B/Ds earlier.

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[32] See "Clarification regarding the Government's stock of face masks" - https://www.info.gov.hk/gia/general/202001/26/P2020012600525.htm

Allegation 4: Lax Mechanism for Distributing CSI Masks

5.6 Among the public submissions we received, it was alleged that certain departments had distributed one box or more of masks every quarter to frontline staff, and some of them collected and provided those masks to their relatives and friends after the pandemic outbreak. It was also alleged that the subordinate sections of certain departments did not keep any records about distribution of CSI masks, and that the service units of another did not limit the quantity of masks its frontline staff could receive before the pandemic.

Allegation 5: Inadequate Transparency of Information

5.7 Some members of the public criticised the Government for being too unforthcoming about the mechanisms for production, distribution and stocktaking of CSI masks, and considered that the authorities should have provided more relevant information, including the quantities of CSI masks distributed to B/Ds by GLD. Several members of the Legislative Council had also requested such information as the quantities of CSI masks and other PPE distributed/received by relevant B/Ds. Nonetheless, the relevant B/Ds rejected their requests, contending that the disclosure of details on PPE (including CSI masks), such as the stock, usage, quantities procured and moneys involved, would undermine the bargaining power of GLD and B/Ds in their procurement exercises, given the fierce competition for sourcing PPE at that time. Meanwhile, this Office received a number of complaints from members of the public whose requests for information related to CSI masks under the Code on Access to Information were rejected or partially rejected by various B/Ds.

"OPERATION GUARDIAN"

Operation Objectives

5.8 In response to COVID-19, C&ED has launched a large-scale operation codenamed "Guardian" since 27 January 2020 to carry out spot checks of common protective items across the territory. The operation included spot checks, test purchases and inspections of anti-epidemic products (including filter masks) in various districts. The test-purchased samples were sent for relevant laboratory testing to ensure that the anti-epidemic products available in the market were in compliance with the Trade Descriptions Ordinance ("TDO") and the Consumer Goods Safety Ordinance ("CGSO"). We have obtained from C&ED the data related to CSI masks under "Operation Guardian".

Operation Outcomes

5.9 As of 31 October 2020, more than 6,100 (frequency) customs officers were mobilised to conduct over 38,000 inspections at retail spots, with more than 650 types of filter masks test-purchased under "Operation Guardian". Throughout the operation, C&ED found 20 cases of suspected violation of the TDO and 13 cases of suspected violation of the CGSO (i.e. 33 cases in total). Eighty-four persons were arrested and goods suspected of violating the law including 610,000 filter masks were seized.

5.10 Among the 33 cases mentioned above, only one involved filter masks marked with the letters "CSI". The pharmacy proprietor concerned was convicted and fined $2,000 by the Eastern Magistracy on 23 September 2020 for supplying filter masks with a false description of the manufacturing place, in contravention of the TDO. Ten pieces of masks were involved in the case, all marked with the letters "CSI" in the front. During investigation of the case, C&ED also found two green packaging boxes printed with the letters "CSI", as well as the manufacture dates "09 OCT 2014" and "21 NOV 2014" respectively. Apart from this case, customs officers have not discovered any CSI masks with or without packaging boxes on display for sale under "Operation Guardian".

SITE VISIT

5.11 After initiating this direct investigation, our officer conducted a site visit to inspect the pharmacies in Sham Shui Po where CSI masks were allegedly on sale according to the media, but found nil CSI masks.

6

OUR COMMENTS AND RECOMMENDATIONS

PREAMBLE

6.1 After Hong Kong reported its first confirmed case of COVID-19 in January 2020, there was a spike in local demand for filter masks. To provide B/Ds with sufficient masks for daily use and prevention of infections, CSD successfully raised the output of CSI masks within a short period of time through an array of measures, including arranging for inmates to work overtime voluntarily, changing the operation of LWCI Workshops to 24 hours, engaging serving and retired CSD personnel to volunteer for production work, purchasing extra machines and raw materials for production, etc. (see **para. 2.6**). Meanwhile, amid a global scramble for masks, GLD adopted a proactive approach in using different means to acquire masks, such as direct procurement and open tender (see **para. 3.11**). This Office commends the two departments in making their best efforts to meet the demand for masks from B/Ds since the pandemic outbreak. The passion of serving and retired CSD personnel who volunteered for production work is especially commendable.

6.2 We notice that at the onset of the pandemic when the supply of masks was tight, the media and some members of the public reported that CSI masks were on sale in the market, causing wide public concern. To probe whether proper mechanisms and procedures are adopted by the departments concerned with respect to the production, distribution, stocktaking, management and use of

CSI masks, we decided to launch a direct investigation against CSD and GLD, respectively responsible for manufacturing CSI masks and distributing them to user B/Ds, with five user B/Ds selected for enquiry. After consolidating all the information obtained during the investigation (including information from CSD, GLD, five user B/Ds and members of the public, relevant media coverage, texts, photographs and video footage circulating online, our site visit, etc.), we set out our observations and comments as follows.

OVERALL ARRANGEMENTS FROM PRODUCTION TO DELIVERY OF CSI MASKS WERE DULY FOLLOWED

6.3 CSD's HQ I&VT Section uses the computerised MMCS to monitor the entire production process from procurement of raw materials to delivery of a wide range of finished products. In particular, it reviews and controls the completion of purchase orders, consumption of raw materials, delivery of goods, etc. via MMCS. All data concerning the supply of raw materials from suppliers and the retrieval of those materials from industrial warehouses, as well as the quantity of masks produced and delivered are inputted into MMCS (see **para. 2.13**).

6.4 As regards masks, CSD places purchase orders periodically with its raw material suppliers and require them to deliver the raw materials to specified locations. Upon receiving the raw materials, the institutions will store them in their industrial warehouses which are secured by locks (see **para. 2.15**). After receiving a client order, HQ I&VT Section will issue job orders via MMCS to the institution Workshops for commencing production of masks according to the quantity specified in the order, including retrieving sufficient raw materials from the industrial warehouses (see **para. 2.16**). To access the warehouses, staff are required to collect and return the keys according to established procedures (see **para. 2.15**).

6.5 Finished masks awaiting delivery are temporarily stored in the industrial warehouses mentioned above. Similarly, to access the

warehouses to retrieve the masks, staff are required to collect and return the keys according to established procedures (see **para. 2.19**). Before delivery of masks to a client, the institution officer responsible for internal logistics is required to present a barrier permit to the gate supervisor, who will sign on the barrier permit after verifying the masks to be taken outside the institution. The masks will then be passed to a transportation contractor for delivery to the client. Such measures are to safeguard that the masks taken outside the institution are not more than the permitted quantity. CSD also requires the contractor to return the delivery note signed and confirmed by the client upon completion of delivery before settlement of transportation fees, thereby ensuring that the delivery is properly carried out (see **para. 2.26**).

6.6 Where substandard masks are produced during the mask-making process, the inmates and staff concerned will follow the established procedures to cut up and discard those masks, so as to ensure that they cannot be used (see **para. 2.20**).

6.7 Regarding the stocktaking of masks, CSD will verify the stores of all products (including masks) every half year. The stores records are compared with the MMCS records for examining any loss of finished or semi-finished masks, or any discrepancies between the two sets of records. CSD will also review any situations of "Over Use" or "Under Use" of raw materials. In the stocktaking exercises between 2015/16 and 2019/20, CSD did not find any loss of raw materials of masks, semi-finished masks and/or finished masks, or any discrepancies between the relevant records (see **paras. 2.28–2.30**).

6.8 After reviewing CSD's entire process from procurement of raw materials, mask production to delivery, we consider its mechanism largely sound and adequate. CSD has also drawn up proper protective measures to guard against misappropriation of masks, covering the four critical procedures for storage, delivery, stocktaking of finished masks, and disposal of substandard masks (see **paras. 6.3–6.7**). After examining the data and records of CSD,

we have not found any signs of non-compliance with those measures on the part of CSD.

NO LOOPHOLES FOUND IN THE OVERALL ARRANGEMENTS FROM PROCUREMENT TO DISTRIBUTION OF CSI MASKS

6.9 GLD uses the computerised U-Store Program to process orders from B/Ds, such as recording the incoming and outgoing quantities of various stores (including CSI masks), the estimated demand for stores from B/Ds, and the delivery of stores (see **para. 3.4**).

6.10 As regards masks, GLD will request, before the start of each financial year, all B/Ds to submit their estimated demand for different types of masks in the upcoming financial year. After reviewing the estimated demand from all B/Ds, GLD will arrange for subsequent procurement of stores, taking into account the quantity of masks held in stock and the estimated aggregate demand from all B/Ds (i.e. the approved distribution quantity of masks for all B/Ds). GLD will require suppliers to deliver masks in a timely manner, and keep the masks procured but not yet delivered to B/Ds in its unallocated store with security measures. To access the unallocated store, relevant staff are required to register before collecting and returning the keys. Pursuant to the SPR, GLD will also conduct surprise inspections on the security measures of the unallocated store (see **paras. 3.6–3.7**).

6.11 After the start of each financial year, B/Ds may request GLD to distribute the masks by issuing e-orders via the U-Store Program. Any B/Ds in need of more masks than the approved quantity after the start of financial year should first submit justifications to GLD for consideration of their request in light of all factors. Upon approval by GLD, the B/Ds concerned will issue e-orders to GLD via the U-Store Program (see **para. 3.13**).

6.12 Upon receiving an e-order from B/D, GLD will decide on

which batch of U-Store items is to be distributed based on the "first-in first-out" principle and the suggested shelf life of masks. It will then arrange for delivery of masks to the requisitioning B/D by its own fleet or transportation contractor. In either case, GLD will require the return of delivery note signed and confirmed by the requisitioning B/D to ensure that the delivery is properly completed (see **paras. 3.16–3.17**).

6.13 As for the stocktaking of masks, GLD keeps complete records of the receipt and despatch of all stores (including CSI masks) (see **para. 3.24**), and regularly inspects its unallocated store pursuant to the SPR. According to its records between 2013 and 2019, no discrepancies were found between the physical and ledger balances of CSI adult masks (see **para. 3.25**).

6.14 After reviewing GLD's entire process from procurement to delivery of masks (including CSI masks) to B/Ds, we consider its overall mechanism satisfactory. To guard against misappropriation of masks during the process, GLD has adopted proper measures for three critical procedures, namely storage, delivery and stocktaking of masks (including CSI masks) (see **paras. 6.9–6.13**). After examining the data and records of GLD, we have not found any signs of non-compliance with the relevant procedures on the part of GLD.

USE OF CSI MASKS BY USER B/Ds

6.15 To learn more about how CSI masks are handled by user B/Ds in general, in addition to GLD and CSD, we also obtained information from five user B/Ds which have been distributing CSI masks (see **para. 4.1**).

6.16 Summing up the information from those seven departments, we find inconsistent practices among them throughout the management chain from accounting for and distributing the masks, storage and stocktaking of the masks, to disposal of expired masks. Pursuant to the current SPR, it is not

improper for departments to draw up different practices to cater for their own size, functions, actual needs, administrative considerations, etc. Our focus is whether such practices have increased the risk of CSI masks being misused. After consolidating all the available information, our observations and comments are as follows.

Inconsistent Mechanisms for Distributing Masks by B/Ds before Pandemic

6.17 Among the comments received from the public, some respondents criticised that the mechanisms for distributing masks by certain B/Ds before the pandemic were lax. It was even alleged that the staff of a B/D collected and provided the leftover masks to their relatives and friends after the pandemic outbreak (see **para. 5.6**). This is allegedly in breach of SPR 885 and the Civil Service Code.

6.18 According to information from the seven departments, before the pandemic, certain departments distributed the majority of masks to their staff, with a small quantity reserved for back-up purpose. Certain departments placed some masks in the workplace for staff use. One particular department only provided masks upon request of staff. None of the departments would ask their staff to sign upon receipt of the masks (see **para. 4.5 and Table 7**). Upfront distribution of masks, in comparison to the other two practices, would involve lower administrative costs, but it might result in some staff members having received masks in excess of the quantity they actually need, thus increasing the risk of those masks being given or sold to others.

6.19 Admittedly, masks were not in shortage before the pandemic. As masks are non-inventory items of small value, B/Ds and their subordinate units are not required under the SPR to keep detailed records for distribution of such items, much in the same way as other consumables (see **para. 4.4**). We, therefore, consider it understandable for some B/Ds to opt for upfront distribution of masks to staff before the pandemic. In fact, since the pandemic

outbreak, all the seven departments have adopted proper measures to check against misuse of masks, and strengthened their distribution arrangements. For instance, designated officers are responsible for distribution and custody of masks and keeping a record of distribution, or staff are required to sign upon receipt of masks (see **para. 4.7 and Table 8**). Moreover, between late February and early May 2020, the departments inspected their stock of masks weekly and submitted the data to FSTB at its request (see **para. 4.18**). The actions taken were appropriate.

6.20 In any event, it remains an indisputable fact that CSI masks were on sale in the market (see **para. 5.10**). In the long run, to minimise the risk of PPE, including CSI masks, being misused or even resold for profit, we recommend that GLD draw up guidelines for B/Ds on distribution and management of PPE (including CSI masks), as well as monitoring the quantity used, in normal and contingency circumstances.

Lax Procedures for Disposing of Expired Masks by a User B/D

6.21 According to C&ED's information, when investigating a case involving a contravention of the TDO earlier, C&ED not only seized CSI masks on sale from the pharmacy proprietor concerned, but also found two green packaging boxes of CSI masks in the former design showing the manufacture dates "09 OCT 2014" and "21 NOV 2014" respectively (see **para. 5.10**). The case revealed that the CSI masks on sale in the market were probably expired CSI masks, which should have been discarded.

6.22 As a possible source of expired CSI masks was those discarded by B/Ds, we examined the procedures of the two departments under investigation and the five user B/Ds for disposing of expired masks (including CSI masks). Among the seven departments, one would assign staff to cut and destroy expired masks and packaging boxes, which would then be discarded in fastened plastic garbage bags. Another department, when there was an acute shortage in the supply of masks at the onset of the

pandemic, kept the expired masks in good condition as the last resort and afterwards distributed some of those masks to staff for contingency use (see **para. 4.21**). According to the information found online and provided to this Office by a civil servant, some expired CSI masks were allegedly distributed to staff by B/Ds (see **para. 5.4**). We believe that if the allegation is true, some B/Ds might have distributed the expired CSI masks from their reserves to staff when the supply was tight at the onset of the pandemic.

6.23 While it is stipulated in the Guidelines and Procedures for Stores Management of Government Stores (see **para. 3.3**) issued by GLD that all B/Ds should handle expired stores pursuant to the SPR, no specific procedures for disposing of expired masks are provided in the SPR, and thus different practices were adopted by different departments (see **paras. 4.19–4.21**). We understand that the decision to keep and/or distribute expired masks in good condition was one made by the department after balancing the pros and cons, when the supply of masks was extremely tight. Nevertheless, we consider that the quality and filtration efficiency of masks might become lower after the expiry date. If the expired masks were distributed to staff for use, or, due to the lax procedures for handling expired masks, those masks were scavenged and used by outsiders, it would not only fail to protect the users' health, but also pose a threat to public health. To prevent expired masks from being used by B/D staff or others, and to effectively guard against circulation of those masks in the market, we recommend that GLD issue guidelines to B/Ds as soon as possible to strongly remind them to distribute masks based on the "first-in first-out" principle and their suggested shelf life, so as to avoid having unused masks beyond the expiry date. The guidelines should also stipulate a set of uniform and stringent procedures for disposing of expired masks to make sure that those masks cannot be used and sold in the market.

6.24 Moreover, we also recommend that GLD take this opportunity to draw up and issue to B/Ds guidelines on the disposal of expired PPE other than masks. This should ensure that expired PPE would not be distributed to staff, nor would it be scavenged and used, or even resold for profit, by outsiders after disposal.

Given that expired PPE (including masks) cannot offer adequate protection, which is a potential risk to personal and public health and safety, we consider it imperative for the authorities to tackle the issue seriously.

OTHER OBSERVATIONS AND COMMENTS

6.25 During this direct investigation, we have made some observations and identified further room for improvement in various areas on the part of relevant departments. Details are as follows.

No Evidence of CSI Masks Circulated in Market Extensively or Systematically

6.26 After Hong Kong reported its first confirmed case of COVID-19 in January 2020, the demand for filter masks far exceeded the supply for a certain period. Amid the desperate shortage, the media and some members of the public reported that CSI masks were on sale in the market, followed by a series of allegations concerning misuse or mishandling of CSI masks (see **paras. 5.2–5.6**).

6.27 Our direct investigation stemmed from media and public reports that CSI masks were on sale in the market (see **para. 5.2**). Although no discoveries were made during our site visits to pharmacies in Sham Shui Po (see **para. 5.11**), we consider that a convicted case involving a contravention of the TDO has confirmed that CSI masks had been sold in a pharmacy (see **para. 5.10**). Nevertheless, according to C&ED's data, it conducted more than 38,000 inspections at retail spots between 27 January and 31 October 2020 under "Operation Guardian". Yet, other than the case mentioned above, customs officers have not discovered any CSI masks with or without their packaging boxes on display for sale (see **paras. 5.9–5.10**). While "Operation Guardian" was launched to target the supply and sale of anti-epidemic products in contravention of the TDO and the CGSO, instead of solely focusing on CSI masks, we consider the operation data indicative to a certain

extent that CSI masks have not been circulated in the local market extensively or systematically. The masks seized by C&ED were probably expired CSI masks, which should have been discarded.

6.28 As regards why there was an isolated case of CSI masks on sale in the market, we are unable to establish the reason in the absence of specific and direct evidence. Nonetheless, our investigation revealed that the mechanisms for distributing masks by some departments before the pandemic were rather lax, and the procedures of certain departments for disposing of expired masks were not entirely stringent (see **paras. 6.17–6.24**). This could increase the risk of misuse of CSI masks.

6.29 Moreover, according to media reports, as well as public comments and complaints received by this Office, it is alleged that CSI masks were provided by some civil servants to their relatives/friends (see **para. 5.3**). We must reiterate that pursuant to the SPR and the Civil Service Code, public officers are personally responsible for the safe custody of all stores received by them in the course of their duties, and shall use public resources only for the authorised purposes (see **para. 4.11**). Consequently, it is in breach of the SPR and the Civil Service Code to give or sell any public stores to others. Additionally, anyone who sells such items may commit a criminal offence. In any event, after analysis of the relevant information, we have not pursued our investigation in this direction because the information is too vague or from hearsay (see **para. 5.3**).

No Restrictions on NGOs against Resale of CSI Masks Previously

6.30 We notice that NGOs in the past could purchase masks from CSD after providing certain basic information (see **para. 2.23**). CSD had not restricted how NGOs should use the masks, such as reselling or using them for private purposes. In fact, unless otherwise stipulated in the purchase agreement, NGOs were entitled to decide how to use the purchased CSI masks. However, after the outbreak of COVID-19, CSI masks manufactured with

public resources have attracted considerable attention from the community.

6.31 We are pleased to learn that CSD has sought legal advice from the Department of Justice in mid-February 2020 and subsequently decided to impose restrictions on NGOs against resale, export or private usage of goods and/or services purchased from CSD. A specialised application form for placing job orders by NGOs was introduced in late April, stipulating the terms and conditions for NGOs when purchasing goods and/or services from CSD in future. On 27 November 2020, CSD informed this Office that it had decided not to consider resuming the sale of CSI masks to NGOs in future (see **para. 2.24**). We consider CSD to have taken proper action in this connection to address the concern raised following the pandemic, which can reduce the potential risk of misuse of CSI masks and other goods/services.

Consideration to be Given to Setting Priorities for Accepting Purchase Orders of CSI Masks and Enhancing Transparency

6.32 CSD did not advertise and solicit purchase orders for its CSI masks (see **para. 2.4**). Apart from GLD, CSI masks were sold before the pandemic to SWD Agencies, HA Clusters and NGOs (see **para. 2.5**) which had approached CSD to enquire and purchase the product after learning about its availability from various channels. Before the COVID-19 pandemic, CSD would decide whether to accept purchase orders from organisations other than GLD after considering any surplus production capacity of its Workshops and the ability to meet the delivery deadline requested by the client (see **para. 2.23**). However, as CSI masks are priced (see **para. 2.11 and Table 3**) significantly lower than other filter masks on sale in the market, CSD's current practice would only benefit those organisations in the know about the masks available from CSD, and would surely give an impression of inadequate transparency. When the subject of CSI masks was widely discussed in the community, public scepticism was fuelled by the lack of transparency about the sale of those masks. We agree that it is in the public interest to

suspend acceptance of purchase orders from organisations other than GLD until the COVID-19 pandemic is under control, such that CSD can concentrate resources on meeting the demand from B/Ds. Since CSD has acquired extra mask production machines (see **para. 2.6**) to boost its mask production capacity in response to the pandemic, we reckon that CSD should review its policy of accepting purchase orders for masks in normal and contingency circumstances, after balancing such factors as optimisation of resources (i.e. mask production machines and relevant devices, equipment) and B/Ds' demand for masks. In particular, it should consider setting priorities for target clients, changing the method of accepting purchase orders from organisations other than GLD (i.e. HA or other public organisations) and establishing a mechanism for accepting those orders, as well as enhancing transparency of relevant information.

List of Non-B/Ds Eligible for Distribution of Masks to be Reviewed

6.33 We note that in addition to B/Ds, six non-B/Ds, namely this Office, the Independent Commission Against Corruption, the Independent Police Complaints Council, the Judiciary, the Public Service Commission and the Legislative Council Secretariat, may also request distribution of masks from GLD (see **note 1**). We accept that with adequate supply, it is unproblematic for GLD to distribute masks to non-B/Ds, such that those publicly funded organisations can purchase masks at lower costs. However, we note that other statutory bodies of similar nature are not on the name list. We suggest that GLD review the list of non-B/Ds eligible to request distribution of masks from GLD in normal circumstances.

Contingency Guidelines to be Drawn up Based on Experience of Coping with This Pandemic

6.34 During our direct investigation, we note that CSD has since January 2020 ceased to accept purchase orders for masks from organisations other than GLD, and continued to reserve a small quantity of masks for internal consumption, such that it can

concentrate resources on meeting the demand for masks from B/Ds. In the same month, CSD has taken measures to raise the output of masks incrementally, with the monthly output gradually boosted from around 1.011 million in 2018/19 to 4.057 million in March 2020 (see **para. 2.6**).

6.35 As regards GLD, it has since January 2020 adopted various means to approach manufacturers and suppliers for procurement (including direct procurement) of masks. Meanwhile, GLD conducted an open tender for procuring masks in late January 2020, thereby contacting more suppliers and diversifying the source of supply. Furthermore, in a bid to accurately assess B/Ds' demand for masks under the pandemic, FSTB instructed in early February 2020 all B/Ds to review the quantity of surgical masks required monthly, such that GLD could arrange for the corresponding procurement as soon as possible (see **paras. 3.11 and 3.12**) and maintain adequate supply of masks for B/Ds.

6.36 We consider CSD and GLD to have diligently performed their duties and endeavoured to meet the surging demand for masks from B/Ds under the pandemic. To facilitate their timely response to similar or other contingency situations in future, we recommend that CSD, based on the experience gained this time, draw up contingency guidelines regarding the criteria and priorities for accepting the purchase orders of masks and/or other PPE, and the corresponding arrangement for increasing the output of masks and/or other PPE in epidemic and/or other contingency circumstances; GLD, also based on the experience gained this time, draw up practical and proper contingency guidelines regarding the collection and assessment of B/Ds' demand for masks and/or other PPE, and the corresponding arrangement for procuring masks and/or other PPE in epidemic and/or other contingency circumstances.

Failing to Disclose More Information in Timely Manner to Address Market Rumours and Public Enquiries

6.37 At the onset of the COVID-19 pandemic, there was a

desperate shortage of masks in the local market. Concurrently, a lot of media coverage, online information and rumours about suspected misuse of CSI masks were widely circulating. It not only caused public concerns and speculations about any misuse of CSI masks, but also prompted public requests for clarification from the Government on the production and sale of CSI masks. Nonetheless, the relevant B/Ds rejected their requests, contending that the disclosure of detailed information on PPE (including CSI masks), such as the stock, usage, quantities procured and moneys involved, would undermine the bargaining power of GLD and B/Ds in their procurement exercises, given the fierce competition for sourcing PPE at that time. Meanwhile, this Office received a number of complaints about access to information related to CSI masks under the Code on Access to Information (see **para. 5.7**).

6.38 In our opinion, the outflow of CSI masks became a topic of wide community concern partly owing to the lack of information for the public to understand the production, distribution, stocktaking and management of CSI masks by relevant B/Ds. As the public tried to obtain more information but to avail, more speculations and conjectures were generated, including the impression that the Government deliberately concealed the outflow of CSI masks. We accept that relevant B/Ds were fully occupied in dealing with the heavy workloads brought by the pandemic at that time. It is also worth considering whether voluntary disclosure of such information would conversely impact on the fight against the coronavirus and the stakeholders. However, allowing public speculations and rumours to brew would only reinforce the impression of cover-ups on the part of the Government.

6.39 We are pleased to note that the Government eventually issued in August 2020 a report on PPE to release information on the Government's procurement, stock and distribution of PPE (including CSI masks). We also urge the B/Ds concerned to take reference from this experience and contemplate how to disclose relevant information in a timely and proper manner under similar situations in future, after fully considering such factors as the public interest and minimising any impact on the functions of B/Ds. This would

help allay public concern and maintain public confidence in the Government.

OUR RECOMMENDATIONS

6.40 Our direct investigation focuses on how CSI masks are handled by relevant B/Ds, with a view to providing recommendations for the authorities to improve their mechanisms and procedures, so as to reduce the risk of CSI masks being misused. In this connection, we make the following recommendations:

CSD

(1) reviewing its policy of accepting purchase orders for CSI masks in normal and contingency circumstances, such as setting priorities for target clients, changing the method of accepting purchase orders from organisations other than GLD and establishing a mechanism for accepting those orders, as well as enhancing transparency of relevant information (see **para. 6.32**);

(2) based on the experience of meeting surging demand for masks from B/Ds this time, drawing up contingency guidelines regarding the criteria and priorities for accepting the purchase orders of masks and/or other PPE, and the corresponding arrangement for increasing the output of masks and/or other PPE in future epidemic and/or other contingency circumstances (see **para. 6.36**);

GLD

(3) drawing up and issuing to B/Ds guidelines on distribution and management of PPE (including CSI masks), as well as monitoring the quantity used, in normal and contingency circumstances (see **para. 6.20**);

(4) issuing guidelines on proper disposal of expired masks to B/Ds as soon as possible, stipulating a set of uniform and stringent procedures for B/Ds to follow and strongly reminding B/Ds to distribute masks based on the "first-in first-out" principle and their suggested shelf life (see **para. 6.23**);

(5) drawing up and issuing to B/Ds guidelines on disposal of other expired PPE (such as N95 respirators) (see **para. 6.24**);

(6) reviewing which non-B/Ds are eligible to request distribution of masks from GLD in normal circumstances (see **para. 6.33**); and

(7) based on the experience of meeting surging demand for masks from B/Ds this time, drawing up practical and proper contingency guidelines regarding the collection and assessment of B/Ds' demand for masks and/or other PPE, and the corresponding arrangement for procuring masks and/or other PPE in future epidemic and/or other contingency circumstances (see **para. 6.36**).

ACKNOWLEDGEMENTS

6.41 The Ombudsman is appreciative of the information provided by all parties and B/Ds during the course of this investigation, and grateful to the departments under investigation for their cooperation.

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Appendices

Appendix 1

Relevant provisions of the Stores and Procurement Regulations

Original provisions of the Stores and Procurement Regulations ("SPR") cited in this investigation report are listed below:

SPR 128	On stores management, Controlling Officers ("COs") should ensure the effective and efficient use of government stores to support Government's programmes and activities. COs should put in place the necessary measures to ensure that government stores are properly kept and accounted for and that regular and surprise inspections are conducted to examine the adequacy of security arrangements for stores management.
SPR 245	Departments may procure stores of a value not exceeding the departmental limit specified in SPR 220(a) direct, rather than through the Government Logistics Department ("GLD"), if such stores are – (a) not held in unallocated stock by the GLD; or (b) not covered by a bulk contract arranged by the GLD. If notwithstanding (a) and (b) above, departments still want to procure stores direct, they shall seek the Director of Government Logistics ("DGL")'s prior consent having regard to value for money consideration. Except in the case of urgent minor purchases under SPR 265, departments shall follow the procedures set out in SPR 260 or the tender procedures set out in Chapter III when making direct purchases.
SPR 610	Departments should keep complete records of the receipt and issue of all stores held in a departmental store unit, including livestock, in manual or preferably computerised stores ledgers.
SPR 615	Stores ledgers should be posted by a public officer

	other than the one in direct control of the stores.
SPR 705(b)	The costs of these stores are chargeable in the first instance to the Unallocated Stores Suspense Account established under section 30 of the Public Finance Ordinance and administered by the DGL. When these stores are issued to departments, DGL informs the Director of Accounting Services to debit the appropriate subheads of expenditure of the departments concerned and to credit the Unallocated Stores Suspense Account correspondingly.
SPR 710(b)	Departmental stores are further classified into inventory and non-inventory items. Inventory items are generally stores of permanent or non-consumable nature and with a unit cost at or above $1,000 at the time of purchase, while all the other stores are non-inventory items.
SPR 765	Departments should account for non-inventory items as follows – (a) Items held in stock in a departmental store unit — in a Non-inventory Stores Ledger (GF 291). Except those cases set out in SPR 775 below, no further accounting for the stores is necessary once their issue has been recorded in the Ledger. (b) Items issued for immediate use, for use on Working Stores Tables or specific jobs— state the purpose of the issue in the relevant voucher such as the Unallocated Stores Requisition and Delivery Note (GF 210) or GF 219, e.g. put down the relevant job number or cross-reference it with a GF 277.
SPR 885	Public officers are personally responsible for the safe custody of all stores received by them in the course of their duties. They may be surcharged for any loss resulting from a failure to follow these

	Regulations, and/or any instructions issued by the DGL regarding the safe custody of stores.
SPR 896	Departmental Stores Manager ("DSM") is responsible for assisting the CO in general supervision and control of stores and stores accounts within his purview. In this respect, DSM should – (a) inspect each store unit under his direct control at least once every two years, including examining the adequacy of security arrangements, and report the results of the inspection to the CO on the Periodical Stock Inspection Report (GF 238); and if necessary, also on the Departmental Stocktaking-Schedule of Discrepancies (GF 241); and (b) carry out surprise stock and security checks at irregular intervals at least once every three months unless DGL has authorised otherwise. However, if it is impractical or not cost-effective for him to inspect each and every store unit, he should ensure that the respective head of the unit concerned or his deputy will conduct such checks. In all cases, the public officer conducting the check should properly record the findings in the Surprise Inspection Book (GF 235).
SPR 1005	(a) The Supplies Surveys and Stock Verification Section of GLD verifies completely or randomly stocks of government stores held by departments according to prescribed criteria at least once every three years. (b) The DGL lays down the procedures for the supplies surveys and stock verification exercises conducted by the Supplies Surveys and Stock Verification Section of the GLD. The terms of reference of the Section are as follows – (i) to compare ledger balances with quantities found in stock and to report any

	discrepancies; (ii) to examine the general conditions of the stores held in stock and the stock control system with particular reference to dormant and excessive stocks; (iii) to advise on the arrangements for the security of stores; and (iv) to conduct compliance checks on stores management and procurement activities performed by the departments to ensure compliance with the Regulations and other relevant instructions. (c) On completion of the supplies survey and stock verification exercise, the DGL should forward a report on details of the findings together with recommendation to the CO concerned for follow up action and making improvements, copying it to the Director of Audit.
SPR 1015(b)(i)	Unless otherwise approved by the DGL, the appointed officers should inspect and verify – (i) progressively, in the case of large store, ensuring that each item is checked at least once every three years. COs should, where necessary, arrange more frequent verifications and inspections to be carried out.

Appendix 2

Quantities of regular size masks for medical use procured, stored, distributed and destroyed by the Government Logistics Department between 2015/16 and 2019/20

		Year				
		2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
CSI adult masks purchased from CSD		16,728,000	12,000,000	14,540,000	10,710,000	15,955,000*
Regular size masks purchased from other suppliers ("non-CSI masks")		4,546,000	1,700,000	-	-	15,740,450
Stock of regular size masks at beginning of year	CSI masks	9,190,250	10,848,000	12,453,350	13,846,350	12,075,150
	Non-CSI masks	1,454,000	1,737,250	1,700,000	1,700,000	-
Regular size masks distributed to B/Ds in the year	CSI masks	15,070,250	10,394,650	13,147,000	12,481,200	21,686,350
	Non-CSI masks	4,262,750	1,737,250	-	1,700,000	2,302,300
Regular size masks destroyed/ discarded in the year	CSI masks	-	-	-	-	-
	Non-CSI masks	-	-	-	-	-
Stock of regular	CSI mas	10,848,000	12,453,350	13,846,350	12,075,150	6,552,550

size masks at end of year	ks					
	Non-CSI masks	1,737,250	1,700,000	1,700,000	-	13,438,150

* Excluding 208,750 pieces of CSI adult masks returned by bureaux and departments to the Government Logistics Department for re-allocation.

\- Representing nil.

Appendix 3

Quantities of regular size masks for medical use distributed yearly by the Government Logistics Department to various bureaux and departments between 2017/18 and 2019/20

		2017/18		2018/19		2019/20	
		CSI masks	**Non-CSI masks**	**CSI masks**	**Non-CSI masks**	**CSI masks**	**Non-CSI masks**
1	Agriculture, Fisheries and Conservation Department	87,050	-	119,000	-	60,400	-
2	Architectural Services Department	40,500	-	53,000	-	58,000	5,500
3	Audit Commission	500	-	500	-	600	-
4	Auxiliary Medical Service	67,000	-	116,500	-	39,750	-
5	Buildings Department	7,500	-	28,450	-	28,700	-
6	Census and Statistics Department	142,650	-	105,550	35,050	124,450	-
7	Chief Executive's Office	-	-	-	-	19,450	-
8	Chief Secretary for Administration's Office and Financial Secretary's Office [1]	15,000	-	15,650	-	42,150	-
9	Civil Aid Service	-	-	11,000	4,000	227,100	10,000
10	Civil Aviation Department	7,500	-	7,700	150	7,300	-
11	Civil Engineering and Development Department	44,000	-	52,000	-	23,700	-
12	Civil Service Bureau	4,600	-	6,750	-	14,700	-
13	Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch)	5,100	-	1,300	1,250	1,950	-

14	Commerce and Economic Development Bureau (Communications and Creative Industries Branch)	50	-	1,550	-	150	-
15	Companies Registry	19,100	-	5,400	2,700	13,800	-
16	Constitutional and Mainland Affairs Bureau	-	-	3,000	-	30,700	-
17	Correctional Services Department	-	-	-	-	537,400	-
18	Customs and Excise Department	662,100	-	861,450	217,550	633,300	-
19	Department of Health	2,650,000	-	1,800,000	500,000	4,823,750	500,000
20	Department of Justice	13,100	-	9,750	10,550	20,450	-
21	Development Bureau (Planning and Lands Branch)	-	-	-	-	4,000	-
22	Development Bureau (Works Branch)	3,000	-	1,950	-	5,200	-
23	Drainage Services Department	114,800	-	79,550	-	50,500	6,500
24	Education Bureau	196,700	-	258,250	6,750	143,550	500,000
25	Electrical and Mechanical Services Department	228,100	-	311,150	50,500	616,350	-
26	Environment Bureau	1,150	-	300	-	-	-
27	Environmental Protection Department	100,250	-	143,350	-	134,200	-
28	Financial Services and the Treasury Bureau (Financial Services Branch)	-	-	1,000	1,000	1,000	-

29	Financial Services and the Treasury Bureau (The Treasury Branch)	-	-	600	-	17,500	-
30	Fire Services Department	2,316,65 0	-	2,607,20 0	240,950	3,824,90 0	-
31	Food and Environmental Hygiene Department	3,600,00 0	-	2,828,45 0	211,550	1,600,00 0	-
32	Food and Health Bureau (Food Branch)	2,500	-	2,500	-	1,550	250
33	Food and Health Bureau (Health Branch)	-	-	-	-	-	-
34	Government Flying Service	3,500	-	6,500	-	14,450	-
35	Government Laboratory	20,000	-	15,000	-	28,350	-
36	Government Logistics Department	13,350	-	17,800	-	20,600	850
37	Government Property Agency	-	-	-	-	4,000	-
38	Highways Department	23,600	-	29,400	400	29,500	-
39	Home Affairs Bureau	7,900	-	2,050	-	4,650	300
40	Home Affairs Department	44,450	-	46,650	-	108,150	28,000
41	Hong Kong Monetary Authority	50,000	-	-	-	-	-
42	Hong Kong Observatory	4,800	-	5,000	-	6,000	-
43	Hong Kong Police Force	660,000	-	495,000	5,000	2,632,65 0	250,000
44	Hongkong Post	92,750	-	431,600	-	188,600	-
45	Housing Department	266,850	-	270,000	-	1,652,35 0	-
46	Immigration Department	200,000	-	390,000	-	1,431,25 0	-

47	Independent Commission Against Corruption	6,150	-	16,400	-	21,350	-
48	Independent Police Complaints Council	-	-	-	-	-	-
49	Information Services Department	400	-	450	-	1,900	-
50	Inland Revenue Department	101,200	-	109,050	-	91,350	-
51	Innovation and Technology Bureau	1,500	-	2,500	-	3,050	850
52	Innovation and Technology Commission	1,550	-	2,250	-	3,500	-
53	Intellectual Property Department	300	-	350	-	350	-
54	Invest Hong Kong	-	-	2,500	-	1,000	-
55	Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	-	-	2,500	-	2,000	-
56	Judiciary	42,500	-	55,000	-	67,500	-
57	Labour and Welfare Bureau	2,000	-	2,000	-	2,000	-
58	Labour Department	25,000	-	7,000	7,000	40,000	-
59	Land Registry	5,750	-	2,400	2,200	7,350	-
60	Lands Department	11,000	-	8,500	8,500	12,000	-
61	Legal Aid Department	5,500	-	5,000	-	5,900	-
62	Legislative Council Secretariat	6,000	-	5,500	-	20,500	-
63	Leisure and Cultural Services Department	280,000	-	475,000	40,000	460,000	-
64	Marine Department	33,000	-	13,950	32,400	22,950	-
65	Office for Film, Newspaper and Article Administration	750	-	300	300	2,800	-

66	Office of the Communications Authority	-	-	-	-	3,000	-
67	Office of the Government Chief Information Officer	4,250	-	4,150	-	12,650	-
68	Office of the Ombudsman, Hong Kong	-	-	-	-	-	-
69	Official Receiver's Office	-	-	500	2,000	-	-
70	Planning Department	10,500	-	300	9,550	13,500	-
71	Public Service Commission	-	-	-	-	200	-
72	Radio Television Hong Kong	6,800	-	9,600	11,100	32,750	-
73	Rating and Valuation Department	6,000	-	1,750	2,000	5,000	-
74	Registration and Electoral Office	38,500	-	200	1,500	2,350	-
75	Secretariat, Commissioner on Interception of Communications and Surveillance	-	-	-	-	100	-
76	Security Bureau	4,350	-	4,250	3,550	4,750	-
77	Social Welfare Department	291,250	-	136,000	140,550	1,221,150	1,000,000
78	Trade and Industry Department	2,000	-	1,000	1,000	2,000	-
79	Transport and Housing Bureau (Transport Branch)	-	-	-	-	2,500	-
80	Transport Department	117,750	-	170,000	-	97,350	-
81	Treasury	55,100	-	27,100	27,100	55,300	-
82	University Grants Committee Secretariat	-	-	350	-	100	50
83	Water Supplies Department	332,350	-	238,950	71,350	205,800	-

84	Working Family and Student Financial Assistance Agency	39,450	-	34,550	52,500	35,250	-
	Total quantity	**13,147,000**	**-**	**12,481,200**	**1,700,000**	**21,686,350**	**2,302,300**

[1] Including the Chief Secretary for Administration’s Private Office, the Financial Secretary’s Private Office, the Policy Innovation and Co-ordination Office, the Administration Wing, the Human Resources Planning and Poverty Co-ordination Unit, and the Office of the Government Economist.

\- Representing nil.